# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,869 | Monday March 3 1986 | D 8523 B



Gandhi tries to win credibility with careful budget, Page 4

World news | Business summary

## Palestinian mayor killed in West Bank

Israeli military authorities ordered a curfew in the West Bank city of Nablus after a gunman killed Palestinian mayor Zafir Al-Masri on his way to his office.

Two radical groups, the Popular Front for the Liberation of Palestine and the Abu Nidal faction, claimed responsibility for the killing.

The mayor had been appointed by Israeli officials last December. Page 18

### Kohl party setback

West Germany's main government party, Chancellor Helmut Kohl's Christian Democrats (CDU), suffered sharp losses in local elections in Schleswig-Holstein, early returns showed.

### Gulf fighting shifts

The focus of the Iranian-Iraqi war shifted to the Kurdish region of northern Iraq with heavy fighting reported near Chwarta.

### Oil vessel bombed

Five warplanes believed to be Iranian bombed a Turkish oil tanker bound for Saudi Arabia, killing its chief officer and seriously injuring a crew member. Raids delay project. Page 4

### Calm in Cairo

Tourists once again rode camels in the shadow of the pyramids and traffic police resumed duties in Cairo six days after a rampage by conscript Egyptian security police that left at least 36 dead. Tourism losses, Page 3

### Vote played down

Spanish Prime Minister Felipe González said he would not dissolve parliament and call early elections if voters reject his recommendation for continued membership in Nato in a referendum on March 12.

### Education review

A broad review of educational policy is under way in the UK and could lead to the creation of a new Department of Education and Training. Page 6

### Sellafield defended

Kenneth Baker, UK environment secretary, said the Sellafield nuclear processing plant in Cumbria, northwest England, would not be closed despite a radiation leak on Saturday, the fourth reported this year. Page 7

### Riots in Pakistan

Pakistani police arrested at least 30 youths as Moslem rioters damaged nine Hindu temples and looted several shops in Jacobabad in reaction to sectarian clashes in India.

### Bangladeshi vote

President Hossain Mohammad Ershad of Bangladesh said elections will be held the last week of April to restore democracy after four years of military rule. Previous election calls have been boycotted by opposition parties. Page 3

### Fire threatens oil

Firemen and Greek troops tried to keep flames away from a tank containing 30,000 tons of oil as they fought a week-old fire at the Jet Oil depot near Salonika.

### War crimes denied

John Demjanjuk, extradited by the US to Israel where he faces trial as an alleged Nazi exterminator of Jews, told a court that he was a victim of mistaken identity. Page 3

### Role for Mrs Hoxha

Nexhmije Hoxha, widow of isolationist Albanian leader Enver Hoxha, was chosen to lead the Democratic Front council which nominates all candidates for elections.

### Gorbachev turns 55

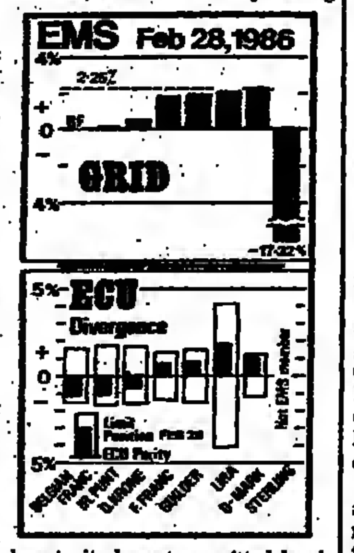
Soviet leader Mikhail Gorbachev observed his 55th birthday with only a brief mention in the state press account of a session of the 27th Communist Party Congress.

## Traders press plan for tin rescue

**TIN:** Banks and metal traders, owed hundreds of millions of pounds as a result of the market's crisis, are to make last-ditch efforts this week to obtain a response from the International Tin Council to their rescue plan. Page 18

**TOKYO:** Expectations of another discount rate cut boosted the stock market and the Nikkei index finished 87.03 higher at a record 13,727.86 in Saturday's half-day session. Leading prices, Page 35

**EUROPEAN Monetary System:** The Belgian franc and Irish punt remained the weakest currencies within the system. The franc showed little change on a cross rate with the D-Mark and Dutch guilder, however, since it is already trading close to its lowest permitted level. In Ecu terms it stayed within its divergence limit and there was no evidence of any significant intervention by the Belgian central bank. The D-Mark was a little firmer overall, helped by the dollar's sharp decline but there was no immediate increase in pressure on the weaker members ahead of this month's elections in France.




*The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.*

**JAPAN'S** national external accounts are still showing no sign that the higher yen is reducing exports. Page 3

**REAGAN** Administration proposals to renegotiate bilateral textile pacts with Hong Kong, Taiwan and South Korea fall short of what the US industry wants. Page 4

**AMERICAN EXPRESS**, the US financial services conglomerate, expects to show a \$200m pre-tax gain from the previously announced sale of its 50 per cent stake in Warner Amex Cable Communications.

**RUPERT MURDOCH**, Australian-born media entrepreneur, raised more than \$1bn in one of the largest offerings of high-yield securities, commonly called "junk bonds," in the New York financial markets. Page 21

**KUALA LUMPUR** stock exchange deferred a decision to accept an 80m ringgit (\$32.5m) financial lifeboat from the banks to rescue brokers in trouble over forward purchase share contracts. Page 21

**ICI** of the UK unveiled plans to restructure its Malaysian operations to enable it to retain equity and management control while complying with the Malaysian Government's new economic policy. Page 19

**NORANDA**, financially stretched Canadian resources group, suffered a net loss of C\$228m (US\$163m) or C\$2.17 a share, last year, after a C\$4.5m loss, or 32 cents a share, in 1984. Page 21

**BRITISH AIRWAYS** predicted its much-delayed privatisation would take place this summer. Page 8

**ENGINEERING** output in the UK rose 6.5 per cent last year. Mechanical engineering showed a growth rate of 6 per cent, its best since 1974. Page 8

## Sweden acts to fill political vacuum left by Palme's death

SWEDEN'S ruling Social Democratic Party is moving quickly to fill the political vacuum left by the assassination of Mr Olof Palme, the Prime Minister, late on Friday night, writes Kevin Done in Stockholm.

Mr Ingvar Carlsson, the Deputy Prime Minister and one of Mr Palme's closest colleagues, will be approved today by the full party committee as the Social Democrats' next chairman. His nomination as Prime Minister is expected to be approved by the Riksdag, the Swedish Parliament, on Wednesday next week.

It was announced yesterday that Mr Palme's funeral will take place on Saturday, March 15. It will be a party funeral rather than a state funeral following a tradition set by those of the two previous party leaders Mr Per Albin Hansson and Mr Tage Erlander.

The hunt for Mr Palme's killer continued with unabated intensity yesterday, and police are now convinced that the Swedish Prime Minister was the victim of a well planned attack.

Two days after Mr Palme's assassination on an open street in the centre of Stockholm, the police still have few firm clues, but yesterday evening they announced that they had found at the murder site the bullet which is believed to have killed Mr Palme.

The Swedish leader was shot in the back at close range with one bullet from a powerful handgun. It was a 38 calibre revolver, probably a Smith and Wesson. A second bullet, which was found on Saturday, passed through the clothing of Mrs Lisbeth Palme, the Prime Minister's wife, slightly grazing her back.

Mr Palme died instantly. The bullet passed through his body severing the aorta, the main artery carrying the blood from the heart.

Mr Hans Holmer, the Stockholm police chief, said yesterday that the bullets were of a highly unusual type, a 3.57 magnum with a copper covering and a lead tip, a bullet that could be designed to penetrate heavy material such as a bullet-proof vest. The police do not have such a bullet among more than 500 types in their ballistics department.

Both on account of the weapon and various witness reports, the police are largely discounting one early theory that the murder could have been the work of a madman. Mr Holmer said that all the indications pointed to a well planned attack.

The Prime Minister and his wife decided at short notice on Friday afternoon to go to the cinema that evening. The police believe that they were followed by the killer all the way from their flat in the city's old town via the underground to the Grand Cinema on Sveavagen, a main street in the centre of Stockholm.

Mrs Palme has since reported seeing two people acting suspiciously outside their flat two weeks ago, but the information was never passed on to the police or the intelligence service responsible for providing security for Sweden's political leaders.

Mr Palme always insisted that he should be allowed at least some normal private life, and on Friday night the couple were not accompanied by a bodyguard.

The assassin is thought to have kept watch on the cinema, or could have been inside. The Prime Minister and his wife left the cinema shortly after 11pm, having said goodnight to one of their sons.

They had walked only a couple of blocks when the killer struck close to an entrance to the underground station. He escaped up a narrow alleyway and a flight of steps which would have prevented any pursuit by car.

As part of intense police activities controls at Swedish border points to Norway were immediately stepped up, as were those at ferry terminals and airports.

Swedes have been stunned and disbelieving at the assassination, barely able to comprehend that such a murder could take place on an open street in a country so unused to political violence.

Many thousands took part in memorial services around the country and queued for hours in freezing temperatures outside Rosenbad, the Government Chancellery and the Prime Minister's office to sign a book of condolences.

Editorial comment, Aftermath of the killing, Page 16; Obituary, Page 2

## Brazil wins narrow margins on \$31bn debt rescheduling

BY PETER MONTAGNON IN LONDON

BRAZIL yesterday reached agreement with its main creditor banks on the terms of a \$31bn debt rescheduling package designed to put its financial house in order for a further year.

The agreement involves a substantial reduction in interest margins on the debt affected. It reflected the significant improvement in Brazil's foreign trade performance during the past few years, Mr William Rhodes, a senior Citibank executive said in New York.

Bankers said the agreement also apparently marked an end to worries that Mexico's debt problems in the wake of the falling oil price would spark a trend to major concessions for all Latin American debtors.

Brazil will pay market rates of interest under the new agreement, which was negotiated by Mr Antonio de Padua Seixas, the central bank director for external debt, but interest margins on 1985 and 1986 debt maturities have been cut to 1⅛ per cent from an average of 2 per cent over London Eurodollar deposit rates. This should save about \$140m in debt service costs a year.

Under the agreement about \$8bn of debt that fell due last year will be

*Angry shoppers in Rio de Janeiro looted supermarkets which they suspected of marking up prices following the imposition of a price freeze as part of the Government's fight against inflation. Page 18*

rescheduled for seven years with repayment starting in 1991. A further \$9.5bn of debt due in 1986 will be rolled forward to March under an interim deposit arrangement with the Brazilian central bank.

About 700 creditor banks worldwide will also be asked to maintain their short-term trade credits and money-market lines to Brazil at the present level of about \$15.5bn.

In a joint statement yesterday Mr Rhodes and Mr Seixas said the deal was "a bridge to a future multi-year rescheduling package."

Bankers said the deal would tide Brazil over in the run-up to this year's Congressional elections in November.

They hope that once the elections are over the Government of President José Sarney will drop its refusal to adopt an International Monetary Fund economic adjustment programme. Such a programme would be a pre-requisite for a multi-year debt rescheduling arrangement.

This weekend's agreement was reached shortly after Brazil announced a major economic reform package on Friday designed to curb domestic inflation now running at 255 per cent a year.

But the measures in the programme, which include a one-year freeze on prices, the introduction of a new currency – the cruzado – and a sweeping revision of the country's price indexation system, had little impact on the terms of the new agreement.

Bankers said they were prepared to countenance a debt package for Brazil even though it had no IMF programme, because of the country's strong trade performance. Last year's surplus of \$12.45bn was the third largest of any country in the world.

Brazil also has substantial foreign exchange reserves of about \$9bn.

Details of the new agreement are due to be forwarded to all creditor banks within the next few days. It is expected to be formally signed in June.

Editorial comment, Page 16

## Uruguay summit backs Mexico

By Jimmy Burns in Punta del Este

A GROWING NUMBER of Latin American countries look set to press for lower interest rate payments on their foreign debt following a two-day emergency summit in Uruguay called by Mexico and Venezuela.

Officials from these two countries joined with others from Colombia, Brazil, Argentina and Uruguay, to issue a communique declaring that in the case of individual debtor countries "substantial modifications to existing debt agreements could no longer be postponed, in particular with regard to current interest rate levels."

The countries represented at the meeting make up the steering committee of the 11-nation Cartagena group of debtor countries. Officials said that although no specific country was mentioned in the final statement it was giving tacit support to Mexico in its current efforts to win major concessions from its creditors because of its latest payments crisis.

However, the immediate threat of a joint regional offensive against creditors seems to have receded.

Although officially billed as an emergency meeting, the two day summit was characterised by improvisation and differences between delegations over what specific strategy to adopt.

The most clearly disappointed country, at the end of the meeting, appears to have been Argentina, which had hoped to find Mexico leading the group towards the adoption of more specific radical measures.

Mexico by contrast let it be known privately that any unilateral action might undermine its current negotiations with creditors, which it described as at a "particular delicate stage."

## Aquino backers split over plan to sack officials

BY ALAIN CASS AND SAMUEL SENOREN IN MANILA

LESS THAN a week after assuming power, President Corazon Aquino of the Philippines is facing challenges to her authority and disagreements among her supporters which threaten to divide her Government.

Mrs Aquino was yesterday accused of acting autocratically after the Government announced that all locally elected officials would have their terms of office terminated today and that their successors would be appointed by the Government.

Mrs Aquino's legitimacy as President is also likely to be challenged at a meeting today of the KBL, the party of deposed President Ferdinand Marcos. The KBL, which is in disarray after suffering 44 defections to Mrs Aquino's ruling coalition, is expected to demand that the new Government submit itself for ratification by parliament and the supreme court.

This demand goes to the heart of Mrs Aquino's dilemma as she tries to assert her authority over the entire country and all government officials, many of which remain fiercely loyal to the man she deposed.

Mrs Aquino and Mr Salvador Laurel, the Vice President, maintain that theirs is a "revolutionary government" which needs maximum latitude to clean house after the Marcos era. Mrs Aquino's advisers fear that submitting the Government to constitutional controls would restrict this freedom.

It is not clear whether Mrs Aquino's government considers the constitution to have been temporarily suspended or whether she is issuing proclamations under amendment 6 of the constitution, which allowed President Marcos to rule by decree, a move for which he was persistently criticised.

Ironically, this first challenge to Mrs Aquino came on a day when she announced further liberalisation measures before an ecstatic crowd of several hundred thousand people, who were attending a thanksgiving mass in Manila.

In a series of announcements, Mrs Aquino ordered the lifting of the suspension of *habeas corpus* throughout the country, originally suspended by Mr Marcos in 1981. Mrs Aquino also announced that, of 484 political prisoners, 480 had been released.

She did not, however, release four others, including the former Communist Party chairman, Mr José Sison and the alleged former commander of the communist New People's Army, Mr Jose Buscayno.

Mrs Aquino announced the retirement of 23 generals who had "overstayed," headed by General Fabian Ver, the former chief of staff, who fled to the US with Mr Marcos.

Senior officers confirmed that "several thousand" enlisted men and officers had still failed to report for duty, fuelling fears of a last stand by pro-Marcos elements. The regional commander in charge of the north of the country, a Marcos stronghold, said his units would scour the countryside until the men were found. Col Jesus de la Cruz added," we will try to persuade them to come quietly. But we are ready for any eventuality."

Mrs Aquino is also faced with problems within her own coalition, which groups Unido, led by Mr Laurel and PDP-Laban, led by Mr Aquilino Pimentel, the local government minister, and Mr Jose Cojuango, Mrs Aquino's brother.

The two parties are already reported to be bickering over the last remaining government appointments.

US legal action, Page 3

## Mitterrand warns right on presidential powers

BY DAVID HOUSEGO IN PARIS

PRESIDENT François Mitterrand last night warned France's right-wing opposition parties that any attempt to curtail the President's legitimate powers in the event of a right-wing victory in this month's parliamentary elections would be a "serious mistake."

Mr Mitterrand evoked a picture of "disorder" and "very great difficulty" if a right-wing government tried to deny him the authority conferred him under the constitution. The President said: "I expect, and this is normal, that my responsibilities are respected." He declined to be what he called a "cut-price president."

Making what he described as his final broadcast before thn Parliamentary elections on March 15, Mr Mitterrand urged his countrymen to support the socialists to avoid n constitutional conflict. Opposition leaders, including former President Giscard d'Estaing, have said Mr Mitterrand would be powerless if the parliamentary right secured an absolute majority in the National Assembly.

Mr Mitterrand spoke as the opinion polls showed the Socialists would now obtain between 27 per cent and 29 per cent of the vote. The parliamentary right – the neo-Gaullist RPR and the centrist UDF – are given between 43.5 per cent and 46 per cent of the vote or an nbsolute majority of between 23-99 seats in the National Assembly.

Mr Mitterrand nttempted in the broadcast to rally support beyond the normal confines of the Socialist Party by calling on Frenchmen to back n successful government. He said it would be unjust and "dangerous" to change a government that was doing good work.

Mr Mitterrand's rising personal popularity has been the main asset in the hands of the Socialists during the campaign.

None the less, implicitly envisaging for the first timn the possibility of a right-wing victory, Mr Mitterrand said he would respect the wish of the people and choose n prime minister from among the new majority.

Continued on Page 18

## Foreign firms shy of London SE

BY BARRY RILEY IN LONDON

ONLY TWO foreign securities groups are taking the opportunity to set up new member firms on the London Stock Exchange this week, even though rule changes permitting them to do so were implemented on March 1.

Exchange officials declined to accept that the response was disappointing, but the chairman of the membership committee, Mr Peter Wills, said: "We would be delighted to see more applicants."

Tomorrow's council meeting of the stock exchange will consider applications from Merrill Lynch, the US securities group, and Nomura, the biggest Japanese securities house.

Although Nomura is being permitted to set up a broking firm within the London Stock Exchange, it is thought that the exchange itself is reluctant to accept applications from several more Japanese firms which are keen to enter.

Anglo-Japanese relations continue to be affected by the issue of reciprocity. Only onn British firm, a subsidiary of the Warburg group, has so far been granted full membership of the Tokyo Stock Exchange.

The Japanese argue that two more firms, Vickers da Costa and Jardine Fleming, have British connections, but they have been told that Vickers is now American-owned (it is part of the Citicorp empire) and Jardine Fleming is a Hong Kong company which is only partly owned by the London merchant bank Robert Fleming.

Other Japanese firms are unlikely to make formal applications for membership in London unless they are assured in advance that their applications will be successful.

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# Political strategist to lead Sweden

BY DAVID BROWN IN STOCKHOLM

MR INGVAR CARLSSON, who is set to succeed the late Mr Olof Palme as Sweden'a Prime Minister, is something of an unknown quantity to most Swedes because be has spent his political career in Olof Palme's shadow.

He has however played a key role in the Government as the Prime Minister's right-hand man and is one of the party'a leading strategists.

Mr Carlsson was responsible for mapping tha party programme and the successful election strategy which returned the Social Democrats to power against seemingly impossible opposition last September.

As the party'a leading ideologue, Mr Carlsson has helped steer the Socialists towards a pragmatic programme wbich combines a traditional concern for social equality with one for industrial growth and profitability.

"If we don't see to it that companies prosper, how can we push through our other reforms?" he once said. "We want a cow we can really milk well, we don't want to kill it."

As Sweden's so-called "Minister of the Future," he has been a driving force behind the country's successful industrial renewal effort, formulating an official researcb and development policy which gives priority to areas such as information, materials handling, and bio-technology.

Mr Carlsson was architect of a controversial system of renewal funds. Wanting to secure labour restraint in the 1985 pay negotiations—a time of soaring corporate profits—the Government required that a portion of profits be set aside by law for research and development and retraining of workers in high technology fields.

Unlike Mr Palme, Mr Carlsson comes from e working elass background. He was born in the south western Swedish town of Boraas in November 1934.

He began his political career as e student at Lund University, where he led the Social Democratic Students' Federation and caught the eye of then Premier Thage Erlander who was ever-scouting for potential party talent.

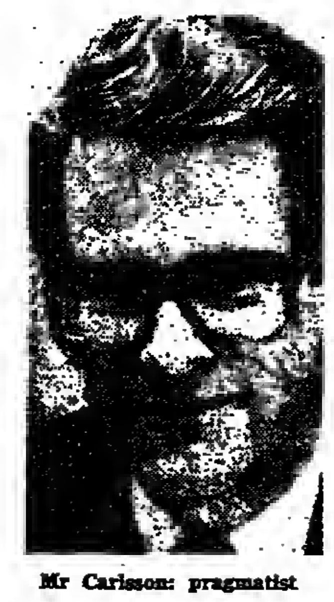
Upon graduating, ha was invited to take a position at the Cabinet Office in Stockholm and joined the cabal of "Erlander's Boys" which also included Olof Palme.

In 1965, et the ege of 31, he was elected to the Rikstag (parliament) as its youngest-ever member, where he was known as severe and unruffled in debate and as a reliable party operator.

He followed Olof Palme in a number of ministries including education and housing. During five years of non-Socialist rule he formulated the party programme which returned Mr Palme to power in 1982.

Mr Carlsson is a friend of nature, an amateur ornithologist and an opera lover. Altbough he suffers from a public image of colourlessness, he is said to have a sometimes roguish sense of bnmoor.

Mr Carlsson has a difficult act to follow. It remains to be seen whether he can unite a sometimes divided party behind him and galvanise the voters of Sweden.



Mr Carlsson: pragmatist

## East and West praise 'statesman'

WORLD leaders yesterday expressed horror at the assassination of Swedish Prime Minister Olof Palme, calling his murder a senseless and brutal outrage that had robbed the world of a wise statesman and man of peace, Reuter reports from Stockholm.

East and West praised the 59-year-old leader for his efforts to promote peace, particularly in the field of nuclear disarmament, and expressed sorrow that a man who had fought hard for democracy had met such a violent death.

Nicaragua declared a three-day period of mourning. In Moscow, delegates at the Soviet Communist Party Congress stood in silence for a minute in tribute, while in the US President Reagan expressed his profound sorrow "in the face of this senseless act of violence."

Many leaders considered Mr Palme a personal friend. French President Francois Mitterrand spoke of the "old and loving relationship" he enjoyed with Palme, both personally and as a member of the Socialist International.

OBITUARY

## Social equality and peace issues topped Palme's list of priorities

PRIME MINISTER Olof Palme of Sweden was an assertive idealist who spoke loudly for peace and reason on the international scene and who dominated the politics of his country for nearly two decades.

Following Mr Tage Erlander as chairman of the Social Democrats and Prime Minister in 1969, he ruled for seven years before leading his party to its first defeat in 44 years.

However, in 1982 he succeeded in ousting an ineffective and changing coalition of non-Socialists, and retained power in a bitterly contested 1985 election.

A committed campaigner for social equality in Sweden, Mr Palme was born to a patrician family in a wealthy section of Stockholm in January 1927 and attended one of the country's most prestigious private schools.

Before his assassination on a city street he often expressed his wish to live like any other man in Stockholm, and enjoying openly walking or cycling to work.

As the leader of neutral Sweden, Mr Palme often seemed more comfortable in the role of international statesman than he did as domestic politician.

He sought to speak for smaller countries on a world stage dominated by superpowers. Chairing what came to be called the Palme Commission on Disarmament and Security, he campaigned for nuclear disarmament, weapons testing bans and a nuclear-free zone in Europe.

Mr Palme was also a committed advocate for the interests of the Third World. He was a member of the Brandt Commission on International Development issues, and Sweden was one of the few countries to commit 1 per cent of its GNP to development assistance.

He was appointed by the United Nations Secretary General to lead a largely respected if unsuccessful effort to end the Gulf War between Iran and Iraq.

His bitter criticism in the mid-1960s of American involvement in the Vietnam war initiated a deep chill in US-Swedish relations which lasted over a decade, and he never made an official visit to Washington.

When Soviet submarines were suspected of penetrating Swedish territorial waters in 1982, Mr Palme responded sharply. But he was accused at home of being overly quick to begin the process of warming relations with Moscow which was to have culminated in a summit next month.

As Prime Minister, Mr Palme steadfastly refused to pursue what he called policies of "egoism and sharp elbows" referring to the retrenchment on social issues which swept the West during the economic downturns which followed the 1973 oil shock.

Mr Palme studied in the US and received a Bachelor of Arts degree from Kenyon College in Ohio in 1948.

He began his political career as an assistant in the Cabinet Office of then-Prime Minister Erlander. In 1965 he was appointed Communications Minister.

# Fiat plans to re-employ 5,750 workers

By Alan Friedman in Milan

THE FIAT GROUP, which controls Italy's largest car maker, is planning to re-employ up to 5,750 workers who have been on state-subsidised lay-off for nearly six years.

The plan, which calls for the workers to be re-hired (although not necessarily all in the group's car factories) between next summer and the autumn of 1987, was presented at the weekend to Mr Gianni de Michelis, Italy's Employment Minister.

The minister is to convene Fiat managers and trade union representatives for a meeting this Thursday to discuss details of the plan, which is seen in Italy as evidence of the improving economy and of Fiat's ability to make use of thousands of workers who were made redundant in 1980 when the Turin company was in crisis. Since then Fiat has staged an impressive recovery and has undergone significant restructuring.

Under Italian law it is possible for private sector workers to be placed on "zero hour" state-subsidised lay-off, collecting a large part of wages. In the case of the 5,750 Fiat workers in question, this began in 1980 and was renewed for another three years in 1983.

Mr Cesare Romiti, Fiat managing director, explained to Mr de Michelis that the company's improving profitability, rising demand in the car market and new investments in technology will make it posible to re-employ the workers.

## Craxi forecasts inflation fall

Italian Prime Minister Bettino Craxi said yesterday conditions were favourable for a fall in the annual rate of inflation from the current 8.5 to 5 per cent this year, Reuter reports from Rome.

Addressing the congress of Italy's largest trade union, the Communist-led CGIL, Mr Craxi said a combination of lower oil prices and a fall in the value of the dollar could bring inflation down to pre-1973 levels.

# France's share of trade in industrial goods falls further

BY DAVID HOUSEGO IN PARIS

THE FRENCH share of world trade in manufactured goods suffered a further loss last year, according to the official statistics institute INSEE.

In a depressing picture of French industrial performance, INSEE says that export growth flattened last year, partly because of the French franc's loss of competitiveness in European markets and partly because of a 14 per cent drop in real terms in armaments and aircraft exports.

Import growth picked up sharply because of the increase in domestic demand and because industrialists have been bringing forward equipment purchases in anticipation of a devaluation of the franc.

The INSEE report nonetheless confirms government forecasts that the drop in oil prices and the dollar will cut France's energy import bill by FFr 60bn (£6.12bn) this year and lead to a trade surplus of FFr 15bn in the first six months.

INSEE expects industrial growth will expand at annual rate of 3 per cent during the first half and the consumer price index will rise by 1 per cent.

The survey says France's share of world trade in manufactured goods fell by 1.7 per cent last year. This was more than double the 0.7 per cent decline in 1984. In Europe, France'e market share fell by 1.2 per cent. In the Third World, its share declined by 2.4 per cent.

| Export growth (by volume) of manufactured goods in 1985 | % |
|---|---|
| France | 1.8 |
| Britain | 8.8 |
| West Germany | 9.8 |
| Italy | 2.2 |
| US | 3.5 |
| Japan | 4.2 |

INSEE says that sales of aircraft and armaments will pick np again from next year on the basis of contracts already signed.

The report says that, in real terms, French exports rose by only 1.8 per cent last year (compared with 7.6 per cent in 1984). By contrast, exports from West Germany rose by 8.8 per cent and British exports by 9.8 per cent.

The 5.9 per cent increase in import volume, described as "worrying," was mainly concentrated in intermediate goods and machinery, the report says.

The institute blames the disappointing increase on a combination of anticipatory purchases in edvance of e parity change, a loss of French industrial competitiveness and a shortage of capacity in the engineering and basic chemicals sector.

France's trade deficit remained at FFr 24bn in 1985, the same as in 1984.

# Moscow invites Jaruzelski to visit former Polish city

BY CHRISTOPHER BOBINSKI IN WARSAW

THE SOVIET leadership has helped boost Gen Wojciech Jaruzelski's image at home by inviting the Polish leader to Wilno, the capital of Soviet Lithuania.

Gen Jaruzelski, who is in the Soviet Union for tha Communist Party congress, spent the two days up to Saturday in the city which before tha war was a part of Poland, and still retains a significant Polish minority.

Polish TV coverage of the visit surprised many viewers. Since the war the subject of Polish links with the area and the Poles living there have been treated as one of the country's more sensitive taboos.

But Jaruzelski was shown talking to Poles in the city, inviting them to visit Poland, and seeing Catholic churches, the university and other places which have figured in Polish history.

The visit permitted Gen Jaruzelski — who still smarts from US taunts that he was no more than "a Soviet general in a Polish uniform"—to strike a patriotic pose appealing to Poles.

# Norwegian offshore oil licences awarded

By Fay Gjester in Oslo

NORWAY HAS announced the award of eight offshore petroleum licences, covering nine blocks off the central part of Norwey's coast.

Statoil, the state oil company, has been made operator on two licences covering three blocks, while operator tasks on one block each have been given to Norsk Hydro and Saga Petroleum—both Norwegian—and four foreign majors, Elf, Esso, Mobil and Shell.

Other oil companies which have been awarded shares, but not operator roles, in one or more of the nine blocks are Agip, Amerada, Hess, Arco, BP, Britoil, Conoco, DNO, Fina, Oxy, Tenneco, Texas Eastern and Total.

Two of the blocks are in the Halten Bank area and the rest in a part of the coast, straddling the 66th parallel, not previously explored. Drilling on the blocks awarded in this area, Nordland II, must start this year, the Oil Ministry said.

Statoil's participation in each licence—initially 50 per cent—may be increase to between 60 and 70 per cent if petroleum is found and produced in the licence area, the ministry said. The licence terms also specify which onshore bases the oil companies must use.

The awards have been malle under the second part of Norway'a 10th licensing round. Meanwhile, the Oil Ministry bas invited oil company applications for 39 other blocks, mostly located further north, under Round 11.

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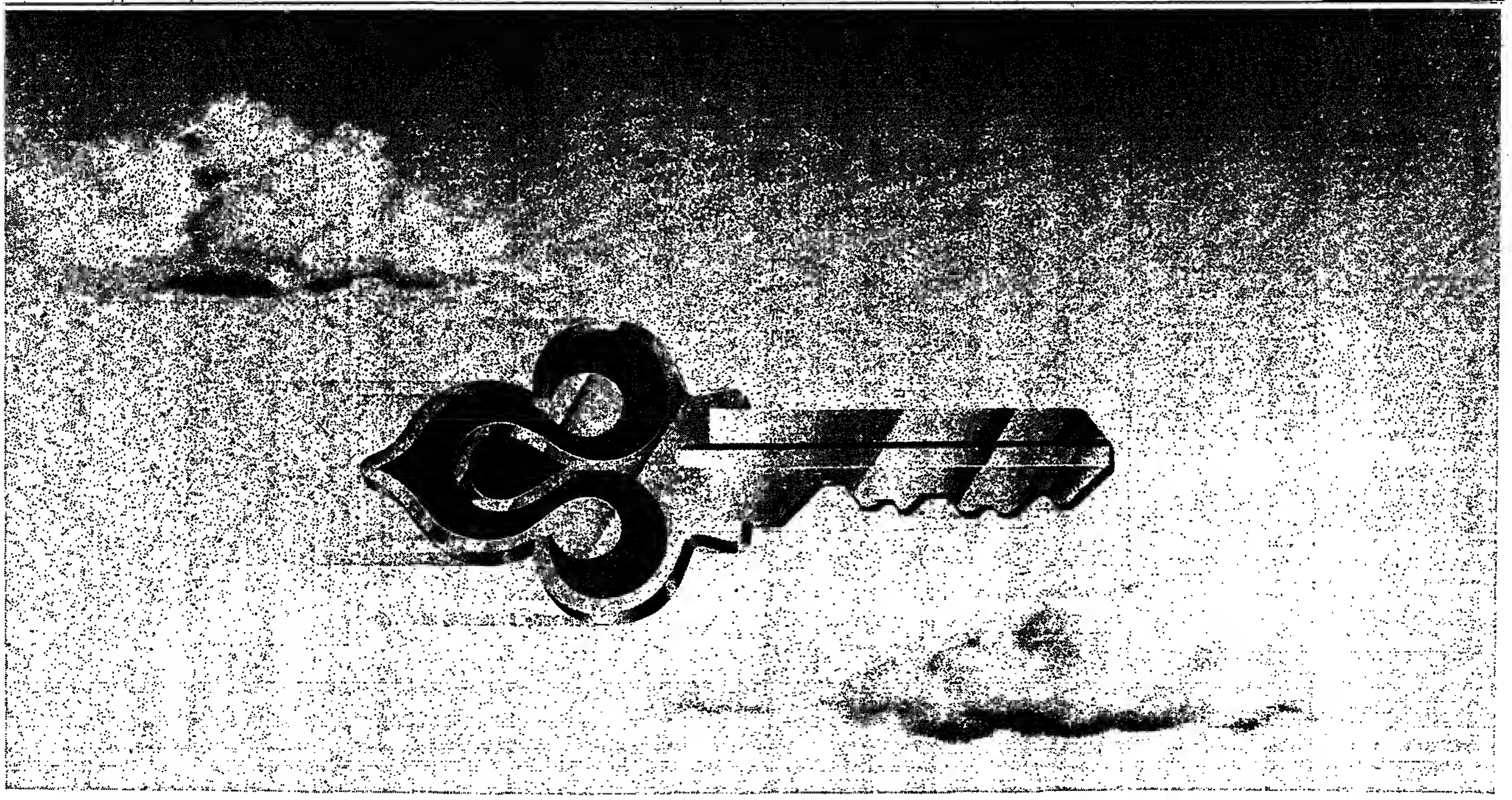


# UK NEWS

## China reports record retail price increase

BY ROBERT THOMSON IN PEKING

CHINA HAS reported a record increase in retail prices, a higher trade deficit than was expected, and generally high rates of agricultural and industrial growth for last year.

The most politically-sensitive figure released by the state statistical bureau in its sketch of the Chinese economy in 1985 showed an 8.8 per cent increase in retail prices. The highest rise recorded since the early 1950s. Prices in rural areas rose 7 per cent and in urban areas 12.2 per cent.

A higher than politically palatable inflation rate—diplomats believe the official figure is an underestimate — has already influenced a government decision to delay further implementation of price reform policies this year.

China has now released three sets of trade figures for 1985, with each successive set showing a progressively greater deficit. The statistical bureau puts the deficit at $14.9bn (£10.2bn), while the Ministry of Foreign Economic Relations and Trade says it is $7.16bn and the Customs Ministry estimates it to be $13.7bn.

The statistical bureau said exports rose 4.7 per cent last year and imports jumped 54.2 per cent.

According to the figures released yesterday, gross social product was Yuan 1,624bn (£353m), a 16.2 per cent rise on 1984. Industrial production rose 18 per cent, more than twice the planned figure, but it apparently slowed dramatically in the latter months of last year.

The effects of the rural reform policy, which has given more autonomy to individual producers, are reflected in the figures. Total agricultural output was up 13 per cent, but grain production fell 7 per cent, as farmers turned to more profitable cash crops and sideline industries.

Grain is a symbol of stability in China, and the Government has taken measures, including increasing the availability of loans for grain producers, in an attempt to increase production. Senior conservative politburo members are known to be concerned that the reforms have made grain an unattractive crop for farmers.

Real incomes are said to have risen in urban areas by 10.8 per cent

## Cost of Cairo riots put at $200m

*By Tony Walker in Cairo*

LOSSES INCURRED in three days of rioting by conscript security police in Cairo last week could exceed $200m (£137.9m), Mr Fouad Sultan, Egypt's Minister of Tourism and Civil Aviation, said.

Mr Sultan estimated that material losses were in the order of $120m, resulting from damage to about 4,000 hotel rooms. He said the Government was working with banks, insurance companies and owners of damaged premises to assess suitable compensation and to ensure that buildings would be repaired quickly.

Egypt's tourism industry had already been hit hard by recent Middle East-related violence, including the hijacking of the Italian cruise liner, Achille Lauro, and the hijacking of an Egypt Air Boeing to Malta.

Tour operators and government officials estimate that losses over the usually busy Christmas period could have exceeded $100m. There were mass cancellations by visitors, particularly from the US.

Meanwhile, schools and universities in Cairo will remain closed this week and a dusk to dawn curfew is in force

LEGAL PROCEEDINGS TO BEGIN 'SHORTLY'

## US group to pursue Marcos assets

BY WILLIAM HALL IN NEW YORK

THE New York-based Center for Constitutional Rights, which has been retained by the new Philippines Government to help track down the overseas fortune of former President Marcos, said yesterday that it will begin legal proceedings shortly to recover his US assets.

The group, which has been retained to "take all legal steps necessary" to recover all properties and assets found to have been misappropriated by Mr Marcos, his family and his associates, said yesterday that it was extremely anxious to recover documents detailing Mr Marcos's wealth which are held aboard two closely guarded US air force planes at the Hickham Air Force Base in Hawaii.

Mr Michael Ratner, the legal director of the centre, said yesterday that the documents were "the most valuable" items aboard the two planes which brought Mr Marcos and his party to Hawaii.

He said that the four New York buildings owned by the former president and said to be worth $350m were "just the tip of the iceberg."

He said that Mr Marcos and his associates had been "draining the country for 20 years" and he estimated that the former President's overseas fortune was in the billions of dollars range. Many of the assets are owned through a "network of front men and dummy corporations designed to conceal their true owners."

The Center for Constitutional Rights has retained a Hawaii lawyer to help obtain the documents which are believed to detail Mr Marcos's wealth. The US Customs service has completed a preliminary inventory of the contents of the two US planes but has so far not disclosed it publicly.

The battle for control of Mr Marcos's overseas assets presents the US Government with a potentially embarrassing dilemma. It has offered Mr Marcos sanctuary and now has to decide who is the rightful owner of the contents of the two planes which in addition to the boxes of cash, property deeds, stocks and certificates of deposit contain large amounts of jewellery, art works, gold and other valuables.

## Weinberger defends Pentagon buying record

BY NANCY DUNNE IN WASHINGTON

MR CASPAR WEINBERGER, the US Defence Secretary, yesterday tried to downplay a new report by a special presidential commission critical of the Pentagon, insisting that most of its recommendations had already been followed.

The presidential panel charged on Friday that there is "no rational system for governmental agreement on military strategy" and it accused the Pentagon and Congress of contributing to inefficient weapons buying.

Mr Weinberger, appearing on television, defended Pentagon acquisition procedures but said he would consider a commission recommendation to appoint a secretary in charge of procurement for each branch of the military as well as one overall acquisitions under-secretary.

Congressman Les Aspin, chairman of the armed services committee, interviewed on the same programme disagreed with President Reagan's request for an 8 per cent increase in military spending next year. The Administration has not got its money's worth on the "trillion dollars we gave them in the first place," he complained.

The 26-page report of the presidential commission, headed by Mr David Packard, a former Pentagon official, suggested a strengthened head of the joint chief of staffs and establishing "short unambiguous lines of authority" to streamline the acquisition process.

"Today there is no rational system whereby the executive branch and the Congress reach coherent and enduring agreement on national military strategy, the forces to carry it out, and the funding that should be provided," the report says.

"The absence of such a system contributes substantially to the instability and uncertainty that plague our defence programme."

## Sri Lanka attacks India over Tamil initiative

*By John Elliott in New Delhi*

DIPLOMATIC relations between India and Sri Lanka have sunk to their lowest point for a year following the collapse, amid increasing ethnic violence, of a peace initiative jointly launched last summer by the two countries to try to solve the island's Tamil unrest.

A diplomatic note delivered in New Delhi over the week-end by the Sri Lankan Government said India's offer of help stood impaired and its credibility diluted because India had "partisan and parochial interests," which meant it was biased.

This was a reference to support for Sri Lanka's Tamil minority among the politically significant Tamil community in southern India where Sri Lanka alleges, Tamil extremists are trained.

The diplomatic note was a reply to Mr B. R. Bhagat, India's Foreign Minister, who said in the Indian Parliament last Wednesday that the Sri Lankan forces' attacks on Tamil militants went "beyond the realms of civilised behaviour and had the elements of genocide."

Sri Lanka should fix a time limit of about a month to negotiate a settlement, Mr Bhagat said.

## Alleged war criminal appears in Israeli court

Mr John Demjanjuk, the alleged former Nazi criminal who was extradited from the US last week, was charged in an Israeli court yesterday with "crimes against humanity." He was accused of the killing of thousands of Jews in Nazi gas chambers, AP reports from Jerusalem.

Mr Demjanjuk denied the charges. He told the judge that he had never been in the Treblinka extermination camp where the murders were alleged to have been committed.

Mr Demjanjuk, who arrived in Israel on Friday, was ordered to be held for 15 days questioning.

Under Israeli law, police *have to seek an extension of* their custody of the prisoner every 15 days. The hearing was the first stage in the process that could lead to the death sentence *for the* 65-year-old retired car worker.

"I am completely the wrong person. I was never in that place what everybody tells me, Treblinka," Mr Demjanjuk told the court in stilted English.

Judge Aharon Simha asked him: "You say you never were in Treblinka and you never were in the service of the Nazis?"

"I never served the Nazis, no," said the Ukrainian-born Mr Demjanjuk.

Charges prepared by the state prosecutor said Mr Demjanjuk operated the chambers at the Nazi camp in Poland in which hundreds of thousands of victims choked to death from carbon monoxide.

He committed "crimes against the Jewish people, crimes against humanity, war crimes and crimes against persecuted persons," said the list of charges.

Mr Demjanjuk also "killed with his own hands Jews from among the work parties that laboured *in the* camp," said the charges read by police deputy commander Alex Ish-Shalom.

Mr Ish-Shalom said that Mr Demjanjuk became known as "Ivan the Terrible because, along with his formal task, if you can call it formal, he committed the cruelest acts of torture."

*Mr Demjanjuk was stripped* of his US citizenship in 1981 for lying to immigration officials about his Nazi past.

## Afghan head attacks US

AFGHAN President Babrak Karmal, said at the week-end that US pressure on Pakistan was blocking a settlement of his country's guerrilla war, Reuter reports from Moscow. A majority of Afghans now supported his government, he added.

Mr Karmal said Soviet troops would leave Afghanistan immediately if the US and other countries halted their support for Moslem guerrillas there.

"If Pakistan was not under the pressure of the US and agreed to talk directly with our country, the sooner a political settlement could be found," he said.

Pakistan has refused to negotiate with the Soviet-backed Kabul government.

Mr Karmal, in Moscow for the 27th Soviet Communist Party congress, repeatedly attacked Washington as the main cause of the six-year-old conflict. He also blamed China and Iran.

## Economic plan for Panama

THE Panamanian President, Mr Eric Arturo Delvalle said yesterday that World Bank officials have approved his economic adjustment plan, aimed at pulling the country out of its worst financial crisis in more than half a century, Reuter reports from Panama City.

Approval of the plan, unveiled by Mr Delvalle on January 29, could help clear the way for rescheduling $579m (£399m) in debt due this year while making Panama eligible for the first disbursements of $120m in new loans from the World Bank and commercial creditors.

Mr Delvalle faces stiff opposition to his economic policies from business and labour groups, however, and the World Bank and other creditors are expected to wait until the Government enacts its programme before the funds earmarked for Panama are paid out.

## Bangladesh to hold elections next month

PARLIAMENTARY elections are to be held in Bangladesh in the last week of April, Lt Gen Hussain Ershad, military ruler, announced last night shortly after opposition parties announced a campaign of direct action to force the military Government out of office, writes John Elliott.

Since President Ershad seized power in 1982 he has announced elections three times but has cancelled them because opposition parties refused to take part.

## Grenadian Premier abolishes income tax

PRIME MINISTER Herbert Blaize, of Grenada, announced that personal income tax would be abolished in a budget which he said would convert Grenada into the island of opportunities, Reuter reports from Grenada.

Mr Blaize's $87.47m (£60.32m) budget also axed 16 other forms of taxation including hotel occupancy tax and consumption and excise duties.

## African states urged to boycott W. Germany, UK

Mr Ide Oumarou, Niger, secretary-general of the Organisation of African Unity (OAU), has urged African countries to boycott British and West German goods in an anti-apartheid protest, Reuter reports from Addis Ababa.

He called Britain and West Germany "the protectors of the apartheid regime, even at these times of universal condemnation of the state of emergency in South Africa."

The proposal, in a report strongly critical of Britain and West Germany but mild in its attack on the US role in southern Africa, was discussed at an African foreign ministers' meeting in Addis Ababa yesterday.

● *Police said two more people* were killed in South Africa's township unrest, bringing the weekend death toll to five. Crowds stoned buses in Claremont township, near the Indian Ocean city of Durban, and attacked police vehicles, the report said.

# Gandhi tries to win credibility with a careful budget

BY JOHN ELLIOTT IN NEW DELHI

"THE BUDGET pulsates with the aspirations of the poor and we have committed ourselves to their service," said Mr Vishwanath Pratap Singh, India's Finance Minister, at the weekend, commending the budget he presented to Parliament last Friday.

The words are significant because they mark an attempt by the Government of Mr Rajiv Gandhi to regain some of the credibility it had begun to lose in recent weeks because of its insensitive handling of various policy issues including big price rises which hit the poor.

Although there is no viable challenge to Mr Gandhi or his government, his Congress I party has done badly in some polls and recent events have marked the end of his honeymoon period as Prime Minister and have affected his authority.

Without changing the basic direction of policies, Friday's budget sought a much needed political balance. It was dominated by boosts for spending on agriculture and rural programmes, by protection for the urban poor, and by increases in taxes on urban luxury items such as air conditioning units and colour televisions.

It also reined back slightly on recent import liberalisations by clamping extra import duties on capital goods, while continuing to encourage the import of technology and components needed to modernise industry. It also included some income tax concessions for the middle class.

A year ago Mr Singh presented his budget as "gearing for take-off," with a high profile boost for manufacturing industry and large companies. There were incentives for competition and threats of penalties for industrial failure.

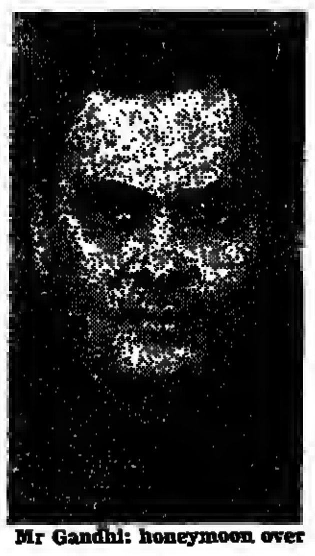
That uncompromising approach symbolised the dynamic first year of the administration of Mr Gandhi who became Prime Minister 16 months ago when his mother, Mrs Indira Gandhi, was assassinated.

He launched India, which is resistant to rapid change, on to a new path of urgent economic, industrial and administrative reforms. He attacked corruption and administrative inefficiency, and began to tackle some of South Asia's most difficult ethnic and political problems.

A year later some of the region's political realities are beginning to reassert themselves and Mr Gandhi is finding it less than easy to push through his reforms.

India Today, the country's leading current affairs magazine, recently wrote about "the fading glitter," and when 41-year-old Mr Gandhi appeared on Indian television on Saturday night to deliver his personal tribute to Mr Olaf Palme, a man he respected and admired, he looked tired and drawn.

His initiative to try to solve Sri Lanka's Tamil crisis, which



Mr Gandhi: honeymoon over

has political side effects in southern India, has crumbled in increased violence on the island. Senior Indian diplomats now admit privately they think India was "set up" by Sri Lanka which they now suspect cooperated in last year's peace initiatives in order to have enough time to buy aircraft and other defence equipment needed for recent attacks against the Tamil extremists.

Mr Gandhi's attempts to make peace with neighbouring Pakistan have also slowed down and earlier hopes that he would visit the country some time this month for a historic treaty-signing ceremony have been put off by several months.

The two countries have resumed exchanging widely publicised diplomatic attacks, which have been partly linked to the Sikh problem in the Indian Punjab.

Generally at home there have been signs that he is so beset by wide ranging problems and so thinly supported at the top by like-minded national and regional politicians of experience whom he can trust and rely on that he tends sometimes to govern in too much of a hurry. Then, realising he has gone wrong or unleashed unanticipated opposition, he changes tack too rapidly and sharply.

The controversial oil and petroleum price rises, which followed other unpopular price increases for food and fertilisers, were badly designed in political terms because they hit both the poor who dominate India's 740m population and the middle class, so giving the country's struggling opposition parties their first popular policy platform since Mrs Gandhi's death. The rises also looked incongruous coming at a time when oil prices were falling internationally.

The government had a case which it failed to put forward till demonstrations and marches took place. This was that the economy which is facing increasingly serious balance of payments problems could not continue to afford an unexpectedly high 33 per cent increase last year in the foreign exchange costs of oil imports. Nor could it afford a mounting budgetary deficit which in 1985-86 exceeded the forecast Rs 33.16bn (£1.95bn) by Rs 11.74bn.

On other fronts the Government's economic policies have been criticised by vested interests which are suffering from attacks on corruption and from increased foreign industrial competition.

Mr Singh in his budget speech made it clear the anti-corruption campaign will continue even though top industrialists, foreign as well as Indian, are complaining that their companies' names are being blackened internationally.

While he did not provide tax incentives which industry wants to boost exports, he did meet some of the criticisms about import competition by varying import duties. This will specially benefit machine tools and other capital goods industries whose domestic steel costs are 150 per cent higher than the steel used by their foreign competitors.

Mr Singh showed his sense of priorities on Saturday when he curtly told New Delhi journalists who were chorusing middle class dismay at the hike in colour television taxes: "The entry into the 21st century with contemporary technology and a forward looking economy does not mean entering with colour televisions."

# Gulf raids delay plans for mooring facilities

By Our Tehran Correspondent

WORK ON a new system of moorings to be used as alternative trans-shipment points for oil being taken from Iran's Kharg Island oil terminal has been delayed because of Iraqi air attacks, according to western commercial attaches in Tehran.

Japanese officials say an attack on January 23 against a pumping station at Ganaveh on the mainland adjacent to Kharg in the northern Gulf has alarmed South Koreans working on the five single-buoy moorings.

The buoys, between Kharg and the mainland, were expected to be completed by March, but there may now be a delay of several months. Iran started installing the buoys after a series of Iraqi air strikes against its Kharg Island facility.

There are also serious doubts in Tehran over the continuation of a project to extend and refurbish the Igat-2 pipeline built originally to transport gas from southern Iran to the Soviet Union.

Iran planned to convert the gasline to carry oil to a terminal at Taheri, 200 km south of Kharg. Letters of intent have been signed with Saipem of Italy and South Korea's Daelim for the $260m project.

Italian trade officials are reportedly pessimistic about chances for the project. Iran wanted to build an additional 150km of pipeline to allow 1m barrels of oil per day to be pumped from its southern fields to the Taheri terminal, bypassing Kharg Island.

## Jopling in Washington

Mr Michael Jopling, Britain's Agriculture Minister, is visiting Washington today and tomorrow for talks with senior US Administration officials which are expected to focus on the mounting transatlantic tensions over farm trade, Andrew Gowers reports.

His visit comes at a crucial time for both US and EEC farm policy, amid fears that the skirmishes of past years could turn into a full-scale subsidy battle.

# US import stance irks textile lobby

BY NANCY DUNNE IN WASHINGTON

A US proposal to renegotiate bilateral textile pacts with Hong Kong, Taiwan, South Korea falls far short of what the US industry believes it needs to survive.

The Reagan Administration is reportedly proposing to freeze 1987 and 1988 import levels from its big three supplies and wants limits on three fabrics—silk, linen and ramie—which now have no quotas.

Mr Carlos Moore, executive vice-president of the American Textile Manufacturers' Institute, said this plan would do little to help the domestic industry, which last year reported 52 plant closings, 27 partial plant closings and the loss of 11,400 jobs.

Industry spokesmen say with some bitterness that the Administration will not tell them until April what the US negotiating position at the MultiFibre Arrangement talks this summer will be. From all reports, however, the spokesmen say: "It's not much at all"—a mechanism of some kind to control surges and a plan to include all fibres under the next set of bilateral pacts.

At a Congressional hearing last month Mr Clayton Yeutter, the US Trade representative, assured Congressman Ed Jenkins, of Georgia, author of the vetoed Textile Quota Bill, that his constituents would feel "comfortable" with the overall objectives of the US position and that surges would be controlled.

Congressional leaders have held off an effort to override the President's veto until after the MFA talks are completed. They hope the vote will serve as notice that the US must get significant protection for its embattled industry.

The texile institute is also furious about the programme announced by President Reagan in Grenada to increase access into the US market for apparel products made in the Caribbean.

"There are no offsetting cutbacks in imports from the major suppliers, as permitted by the MultiFibre Arrangement," said the texile institute. "Increased shipments from the Caribbean will displace, yard for yard; US production of apparel."

The institute said textile and apparel imports increased 41 per cent in December, and import growth for all 1985 exceeded 10 per cent.

The industry coalition has asked the Administration to address the following issues in the MFA talks:

● Elimination of unused quotas which overhang the market;

● A linkage between quota growth and conditions in importing markets;

● A system of meaningful penalties for evasion, transshipment and overshipment.

# Tough telecom market in Japan

BY CARLA RAPOPORT IN TOKYO

TOP US government officials announced nearly two months ago that trade talks with Japan, on telecommunications, network services and radio equipment had achieved a "remarkable success, substantially resolving all the problems raised." But does the successful conclusion of these negotiations, dubbed the Moss (market-oriented, sector-selective) talks mean that Americans are now happily signing major contracts with Japanese customers? Not exactly.

Even the Japanese admit that America is way ahead of Japan in the fields of telecommunication equipment and network services. In equipment alone, for example, the Japanese markat is about $5bn a year, while the US market is around 30 times bigger at $150bn.

"US companies bring telecommunications technology to Japan that in many cases is five or more years ahead of their Japanese competitors," says Mr Mark Foster, counsel in Japan for the US Electronics Industries Association. But, he added, that US companies must realise that a fair return on their investment depends on the extent to which legislative reforms were institutionalised by Japan's bureaucrats and corporations.

Americans in Japan have praised tha achievements of the Moss talks but many say that the next stage of negotiations will be just as difficult.

This stage will bring tha Americans up against traditions and cultural values which many Japanese government departments and companies still cling to. "There must be an end to the small village mentality of bureaucrats and the buy-Japanese-only attitude of corporations," says Mr Foster.

Despite the sweeping deregulation of the radio communications market, for example, millions of dollars of radio equipment orders from Japan are being held up because tha Ministry for Post and Telecommunications has yet to decide on the allocation of freqnencies.

**JAPAN and US have clashed over Tokyo'e plans to provide aid to hard-hit exporters, Reuter reports from Toyko. Officials said that Tokyo had failed to convince Washington that the subsidies would not be used to boost Japanese exports and swell the US trade deficit. The Japanese plan will make it easier to provide low-interest loans to small companies whose exports have been priced out of the market by the yen's rise.**

# Surpluses increase

By Jurek Martin in Tokyo

JAPAN'S national external accounts are still showing no eigns that the higher yen is reducing exports.

Balance of payments and trade figures for January, released yesterday, produced surpluses comfortably in excess of those of the same month a year ago. Merchandise exports rose 16 per cent compared with January, 1985.

This January, the current account surplus reached $1.88bn (£1.26bn) up from $800m a year ago, while the trade surplus stood at $2.39bn, up from $1.46bn.

Exports rose by 16 per cent to $12.72bn, mostly on the strength of higher car sales to the US and the Europoan Community. Imports rose to $10.34bn from the $9.51bn of a year ago.

Japan continued to run a large nat long-term capital outflow—of $7.31bn, compared with $6.11bn in December and $3.22bn in January last year.

SHIPPING REPORT

# Dismal week in dry cargo

BY ANDREW FISHER, SHIPPING CORRESPONDENT

IT WAS another dismal week for dry cargo owners and a quiet one for the tanker market, with demand much reduced and rates slack.

Tanker enquiry in the Gulf was poor. E. A. Gibson, the UK shipbroking firm, said demand for VLCCs and ULCCs (very larga and ultra large crude carriers) had practically stagnated.

There was more interest in vessels below the 200,000 deadweight ton level, however, while the West African market was fairly buoyant. But the Mediterranean and North Sea loading areas saw little rise in activity.

The sale and purchase market was also on the decline. Galbraith's, the London shipbroker, said enquiry was still fairly strong, but actual volumes of business continued to fall.

## World Economic Indicators

INDUSTRIAL PRODUCTION
(1980 = 100)

| | | | | | % change over previous year |
|---|---|---|---|---|---|
| | Jan. '86 | Dec. '85 | Nov. '85 | Jan. '85 | |
| US | 116.6 | 116.3 | 115.5 | 113.8 | +2.5 |
| | Dec. '85 | Nov. '85 | Oct. '85 | Dec. '84 | |
| UK | 108.0 | 110.5 | 109.2 | 104.0 | +3.8 |
| | Nov. '85 | Oct. '85 | Sept. '85 | Nov. '84 | |
| W. Germany | 108.4 | 108.6 | 104.8 | 102.3 | +6.0 |
| France | 104.1 | 102.3 | 101.2 | 100.6 | +3.5 |
| Italy | 98.5 | 96.0 | 98.4 | 95.0 | +3.7 |
| | Oct. '85 | Sept. '85 | Aug. '85 | Oct. '84 | |
| Netherlands | 102.6 | 101.7 | 103.8 | 100.5 | +2.1 |
| Japan | 122.6 | 121.4 | 122.8 | 120.8 | +1.5 |

Source (except UK, USA, Japan): Eurostat.

# 7 REASONS FOR STARTING A COMPANY PENSION SCHEME NOW.

## (The more hard-headed you are, the more you'll like 'em.)

### 1. SERPS is unfair and poor value for money.

Once, the State Earnings Related Pension Scheme (better known as 'SERPS') was a gleam in Barbara Castle's eye (remember her?).

It was set up with the admirable objective of providing a decent pension for every employee who wasn't properly looked after by a private company scheme.

In today's cold light of day, however, SERPS looks distinctly like bad news for everyone.

For not only are the pensions it promises to its members actually very poor value for money.

But the eventual cost of providing those pensions on a 'pay as you go' basis (the way Governments pay for everything) could end up making the Trident programme look like petty cash.

### 2. The Government is planning to make it worse.

Well? What would you do?

To its credit, the Government has decided to face the reality of SERPS, rather than bequeathing its unresolved problems to its successors in the 21st Century.

It is now introducing legislation to reduce the burden of SERPS on future generations.

Which, of course, means further reducing the value of future pensions many existing members can expect from SERPS.

### 3. But it is prepared to give a subsidy of 6¼% of your wage bill if you set up your own company scheme.

Many companies don't realise that if they contract out of SERPS they qualify for a substantial saving on their National Insurance Contributions.

It amounts to a subsidy worth approximately 6¼% of payroll costs. A subsidy so substantial in fact, that it will cover most of the cost of running an excellent private pension scheme for the company.

### 4. It intends to offer another 2% subsidy soon.

And the Government's generosity doesn't end there.

So keen are they to encourage firms to take over the role of providing employees with pensions, that the new Social Security Bill provides for the subsidy on contracted out schemes to be boosted by a further 2% of payroll costs as from early 1988.

### 5. Your workforce will enjoy substantial benefits. And so will you.

The management of any responsible company will take pride in ensuring that its workforce is going to enjoy full financial security in retirement. But there are also more direct business reasons for starting your own company pension scheme.

Employees who are financially secure are likely to prove both more productive and more loyal. And you'll also find that a good pension scheme can be an important factor in persuading more good people to come and work for you.

### 6. Every day you waste means more money down the drain.

Even before the present Government began its review of pensions legislation, many companies had already elected to contract out of SERPS in order to provide better pension benefits for their employees at little cost to themselves.

Now the government has made clear its intention to run SERPS down, it makes even more sense to contract out.

Throwing good money after bad isn't a good idea, and since all contracted out schemes started now will automatically qualify for the extra 2% incentive when it becomes available, there is every reason to act immediately.

### 7. Crown can set up a scheme for you without delay or problems.

Crown Financial Management is a leading pensions company that already looks after the interests of more than one million people in the UK, and which provides company pension schemes for many thousands of British companies.

Our "Fair Deals For Retirement" Plan has been designed specifically to meet the Government's criteria for contracting out of the State Scheme and thus qualifying in full for the Government's generous subsidies.

Our organisation takes care of everything, from producing descriptive literature in your company's name and explaining the benefits to your employees at specially arranged meetings, right through to paying their pensions when they retire.

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Or telephone: 04862 5033. Please let me have full details of Fair Deals For Retirement.

Name______________________

Position______________________

Company______________________

Address______________________

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My professional advisers are______________________ FT1

CROWN FINANCIAL MANAGEMENT

**FAIR DEALS FOR RETIREMENT**

# Thatcher starts review of education policy

BY OUR POLITICAL EDITOR

A FAR-REACHING review of the Government's education policy, possibly leading to the creation of a new Department of Education and Training, is now under way in Whitehall at the instigation of Mrs Margaret Thatcher, the Prime Minister.

The debate covers several separate strands affecting relations between both the public and private sectors and Whitehall and local education authorities.

A strong runner is the establishment of a new Department of Education and Training under Lord Young, the Employment Secretary. This would include the Manpower Services Commission side of the Department of Employment, which would remain as a small department.

This ties in with discussion over the new national vocational qualification and could lead to such vocational training being privatised or contracted-out, via directly funded technical schools.

The new higher priority for education was underlined by Mrs Thatcher on Saturday when she spoke to Conservative councillors at the Party's local government conference. She said: "Education is one thing where we have to fashion and shape our policies, particularly in inner cities, for the next election because there are many many children not receiving the education they should for the amount of money that is being spent."

The re-think has been prompted by an acceptance by ministers that structural changes are needed in the light of the teachers' dispute. A further strand is the recent confirmation of the retirement from parliament at the next election of Sir Keith Joseph, the Education Secretary. He may be replaced in the autumn reshuffle and manoeuvring over his successor has become linked with the policy debate.

A group of Conservative MPs favouring a free market approach has been pushing the claims of Dr Rhodes Boyson, a former headmaster and junior education minister, and at present Minister of State at the Northern Ireland Office. However, the appointment of Lord Young as head of a new department might meet the demands of a wide range of Conservative opinion, both on personal and policy grounds.

There are three broad approaches to future policy:

● *Nationalisation, with Whitehall taking over direct responsibility for* teachers' pay and imposing national guidelines. This is broadly favoured by the Treasury and would reduce substantially the role of local education authorities.

● A free-market approach increasing parental choice via a form of transferable vouchers. This is supported by e vocal group of Conservative MPs and is endorsed in a new Institute of Economic Affairs pamphlet today. Mrs Thatcher has also talked of reviving direct grant schools in inner cities and of encouraging businesses to endow schools.

● Making the existing central/local partnership work better by giving Whitehall more influence *through the greater use* of *specific* education grants and by tying teachers contractually to specific duties. This would build on the current Education Bill which is aimed at giving parents more say and improving teacher quality.

In addition, there will be the usual annual public spending discussions this summer with greater pressures than last year from both education and other ministers for increased resources.

It is too early to predict the outcome, though even supporters of e free-market approach believe that the previous objections to e general *voucher scheme will again prevail.*

The debate is being conducted both, formally, through the Whitehall machinery and, informally, as a result of Mrs Thatcher encouraging ministerial and backbench supporters of a free market epproach by making known her own dissatisfaction with the current structure.

# Tories step up their attacks on Alliance

BY PETER RIDDELL, POLITICAL EDITOR

SENIOR ministers intensified the Conservative Government's campaign against the Social Democrat/Liberal Alliance over the weekend just as Mr Edward Heath, the former Conservative leader, warned that there would have to be discussions with other Parties if the next general election produced a hung parliament without an overall majority.

In the face of opinion polls showing that the Alliance has recently been gaining et the expense of the Conservatives, there is now e concentrated ministerial drive to attack the Liberals and the Social Democratic Party (SDP). This contrasts with the previous tactic of largely ignoring the Alliance and concentrating on attacking Labour.

Attacks on the Alliance have featured prominently in recent speeches by Mr Norman Tebbit, the Conservative Party Chairman, and Sir Geoffrey Howe, the Foreign Secretary, as well as from two former ministers, Mr Leon Brittan and Mr Michael Heseltine.

For instance, Mr Kenneth Baker, the *Environment Secretary*, urged Conservative councillors at the Party's local government conference at the weekend to concentrate their fire on the Liberals and Social Democrats, which were "the main enemy and threat" in much of southern England. He also claimed that Alliance-controlled or dominated councils had larger than average increases in spending and local property taxes.

In a television interview yesterday, Mr Heath agreed that the Alliance was a serious long-term threat to the Conservatives. If there was no overall majority at the next election, he boped that "everybody would be responsible enough to recognise that the Queen'a Government has got to be carried on, and therefore there have got to be discussions between the Parties es to how it is going to be done."

Mr Heath was also cool when asked whether Mrs Thatcher would lead the Tories into the next election. He said that was something the Party must "settle among themselves." The election must be held by June 1988.

Mr Heath renewed his criticisms of the Government over the possible sale of BL's commercial vehicles and Land Rover subsidiaries to General Motors of the US. He said be had known few issues on which public feeling was as strong, and expressed his preference for keeping the companies in British hands and having a European partnership.

The British people would be horrified if the deal with GM went ahead and he suggested that in the background there might be "some private arrangement with the American administration about Star Wars."

## Barry Riley on the latest stock exchange changes

# Towards the Big Bang

THE FIRST days of March bring the implementation of further major changes to the rule-book of the London Stock Exchange, allowing mighty foreign securities groups like Merrill Lynch and Nomura to become member firms for the first time, and permitting existing firms to become the 100 per cent subsidiaries of outside institutions.

This represents the penultimate stage of transition before the introduction of e totally new trading system on October 27, marking the famous "Big Bang" which will involve the ending of the rigid separation of brokers and market makers (bringing in so-called "dual capacity"), and the scrapping of the scales of fixed minimum commissions.

Until now, outside investors such as big banks bave not been able to own stakes larger than 29.9 per cent in stock exchange member firms. In *practice, nearly all the big firms* beve signed deals on deferred terms which provide for majority ownership to change when stock exchange rules permit.

In the event, only one or two firms are ceding control at the beginning of March, the earliest date. They include Phillips & Drew, which is now part of the Union Bank of Switzerland.

And only two foreign groups are jumping at the opportunity to move into the official London market at this stage. They are Nomura, the largest Japanese securities house, which is applying to establish a broking firm, and Merrill Lynch, the giant US investment bank, which besides buying Giles & Cresswell, an existing gilt-edged jobber, is setting up two entirely new firms, one an equity jobber and the other a broking offshoot.

There are several reasons why most of the existing firms are waiting until later in March or April to cement their new relationships.

To begin with, March 1, when the new rules took effect, happened to fall in the middle of the current two-week stock exchange account. Because of the way transactions are handled it would not be easy for a member firm to work out its precise value other than at an account end.

Some 70 per cent of any profits earned before the transfer of ownership will, of course, belong to the partners and business has been *so profitable lately* that they have au incentive to delay.

If they decide on March, the 7th and the 27th will be the available end-account dates. Moreover, some firms are inclined to leave the transfer of ownership until after the end of the tax year on April 5, which would permit tax payments to be deferred.

Another *factor* is that many member firms have their regular financial year-ends in April or May, and it may be felt convenient to stick to the normal accounting timetable when it comes to winding up e partnership and transferring the business to a new company owned by the acquiring institution.

There does not seem any great urgency to complete these deals, as the new groupings have until next October to sort out their new structures and deploy the substantial amounts of new capital which are being injected by the new owners.

As for the incoming securities groups which are seeking direct entry to the London exchange, without buying existing firms, many seem to be holding back for the time being even though the exchange recently announced that it would only be charging modest entry fees of a maximum of £50,000.

Besides the Japanese securities houses, which still face political difficulties, such external candidates include the British merchant bank, Robert Fleming, and a number of US investment hanks such as Goldman Sachs, Morgan Stanley and Salomon Brothers.

These firms are already active to varying degrees in securities trading in London outside the official stock market, and it will be difficult for them to set up new single capacity member firms because these would conflict with their existing *dual capacity operations. They may* prefer to wait until October 27.

In any case, several of these firms are mainly interested in stock exchange membership in order to become market makers in gilts, and this activity cannot begin until Big Bang.



# Shah's Today due off the presses tonight

BY RAYMOND SNODDY

FINAL PREPARATIONS are being made for the launch in the UK tomorrow of Today, Mr Eddie Shah's revolutionary colour tabloid newspaper.

The first copies of the newspaper, which has had a profound effect on Fleet Street before even appearing on the streets, are due off the presses after 7 tonight.

A print run of up to 1.8m copies is planned and deadlines have had to be brought forward to cope with the larger than expected order.

Mr Brian MacArthur, the Today editor, said yesterday the teething problems had been overcome.

In the past week there has been equipment failure and a total shutdown for two hours of the electronic editing system. Problems of electrical interference also had to be overcome.

The final preparations over the weekend coincided with a television advertising campaign emphasising the arrival of the UK's first national colour daily.

Well-known personalities ask in the commercial: "Are you ready for colour?" and then don dark glasses.

# Call to make auditors legally expose fraud

BY CLIVE WOLMAN

A LEGAL obligation should be imposed to seek out and detect fraud, a large majority of company directors and senior executives believe, according to e survey published today.

But most directors and managers *do not want auditors to report* any frauds they detect to the police or other public regulatory authorities, although the Government has proposed to make such demands on the auditors of banks and other financial institutions.

The survey was carried out in late January by interviewing and corresponding with a pool of 140 respondents from a broad spread of UK industries, of whom 85 per cent had executive authority over audits and financial statements.

If no additional fees were required, 74 per cent of the respondents thought that auditors should be under a legal *obligation to detect* fraud. If they had to pay extra fees, the majority in favour fell to 57 per cent.

The respondents were less strongly in favour of a legal obligation being imposed on auditors to seek to detect irregularities, rather than fraud, as part of their audit duties.

None of the respondents favoured auditors having the duty to report any freud they detect exclusively to the police or a regulatory authority. A total of 68 per cent thought the auditor should be required to inform only the client.

The remaining 32 per cent thought the auditor should report to both the client and the third party together.

Any legal requirement on the auditor to report exclusively to the third party would amount to "considerable" or "gross" interference hy the state in business activities, 52 per cent of the respondents *believed. This proportion* fell to 41 per cent if the requirement was that the euditor should report to both third party and client

## UK NEWS

# Minister rules out Sellafield closure

Financial Times Reporter

MR KENNETH BAKER, the Environment Secretary, said yesterday the Sellafield nuclear processing plant in Cumbria would not be closed in spite of four radiation leaks there this year, most recently on Saturday.

He conceded, however, that the nuclear industry had not explained itself well enough, and said he was interested in the idea of an outside agency to oversee the industry.

Mr Baker said on television: "I really do not believe it is necessary to close Sellafield." He said there had been incidents at the plant, several of which were "quite minor." But he denied there had been secrecy at Sellafield: "I think they are very open."

Mr Baker said: "The reprocessing has to go on. You simply just could not close it. Safety inside the plant and outside is the prime consideration."

"This is the most regulated industry in the country and very minor incidents have to be reported. I am not saying they should not be reported, but they should not be exaggerated."

He added that public fears of radiation were "like fears of witchcraft in the Middle Ages" – but the nuclear industry itself had not explained itself openly enough.

Mr Jack Cunningham, Labour's Shadow Environment Secretary, whose constituency includes Sellafield, said the application of the Official Secrets Act had "bedevilled" the nuclear industry, and its use had to be dropped.

Britain needed a civil nuclear power programme, and Sellafield was an indispensable part of it. But the plant should be managed more effectively than in the past.

● Five employees of British Nuclear Fuels (BNFL) were contaminated with plutonium in the Saturday incident at Sellafield, writes David Fishlock in London.

They were among a dozen employees who were in the self-contained plant at the time. All went home for the weekend.

BNFL said yesterday there were no signs that radioactivity had escaped from the sealed concrete unit and contaminated the production plant.

# Britain to play role in Star Wars space test

BY PETER MARSH

BRITAIN will take part in an important US Air Force space experiment related to the Strategic Defence Initiative (SDI) to try out equipment for a surveillance satellite for spotting missiles.

Under the $500m experiment, labelled Teal Ruby, Royal Navy vessels and aircraft from the Royal Air Force will act as "targets" for the satellite, to be launched either from a US space shuttle or an expendable rocket.

Engineers at the Royal Aircraft Establishment at Farnborough, southern England, will help US military scientists evaluate information from the project. They will examine the degree to which emission of heat from ships and aircraft can be spotted by Teal Ruby's infrared sensors.

The Pentagon's SDI Organisation, which runs the $26bn Star Wars research programme, is interested in the results because this type of infrared radiation is similar to that emitted by the warm casings of missiles after their motors have stopped firing.

Some data from Teal Ruby may be sent directly to a Defence Ministry satellite station at Oakhanger, near Farnborough.

News of Britain's involvement in Teal Ruby – sponsored jointly by the US Air Force and the Pentagon's Defence Advanced Research Projects Agency – comes as the US and UK continue to explore ways to participate in SDI research.

Britain is the first US ally formally to declare it wants to take part in the project, aimed at defining techniques to defend the West against enemy missiles. Methods to locate missiles as they cruise through space after firing are a key part of the SDI programme.

Britain and the US are discussing specific collaborative programmes likely to be worth about £5m to UK companies and Defence Ministry institutes in the first year.

Teal Ruby, a 1-tonne satellite which will fly over the north and south poles some 750 km above Earth, was scheduled to enter orbit in July on the space shuttle Discovery before delays to the shuttle programme following last month's explosion which destroyed Challenger soon after take-off.

The Air Force may turn to an expendable rocket, such as an Atlas, to launch Teal Ruby if the shuttle delays prove lengthy.

The original aim of Teal Ruby was to try techniques for future generations of early-warning satellites which would spot air attacks. After the launch of the SDI programme two years ago, the brief for the mission was extended to cover ways of spotting missiles. Teal Ruby is listed in Pentagon documents as an ancillary programme to Star Wars.

Canada and Australia will also help in the Teal Ruby exercise. Some work done in the UK will be given to private companies, including Smith Associates of Cobham, Surrey which has a contract from the Defence Ministry to evaluate Teal Ruby data.

**David Brindle** on the latest in the teachers' pay dispute

# Schools deadlocked by conflict

WHAT is holding up settlement of the teachers' pay dispute in England and Wales?

As the unions and employers today try again to fix a deal after the failure of about 18 hours of talks last Thursday and Friday, it is tempting to attribute the deadlock to spoiling tactics by the National Union of Teachers (NUT), the largest teachers' union.

Tempting, but mistaken, while attention has been focused on the NUT's threat of High Court action to stop the five other unions settling, the more immediate problem lies elsewhere.

To make progress today the employers and the five smaller unions will have to move a considerable way from their entrenched and conflicted views on what would constitute "normal" working by teachers after the dispute ends.

The proposed deal agreed in principle by the five unions through Acas, the conciliation service, five weeks ago stipulates "a return to full normal duties."

According to the employers, this means teachers doing all they were doing in January 1985 before the dispute. According to the unions it means teachers doing only contractual duties and not voluntary activities.

The employers, knowing that the smaller unions stand to lose face if the 6.9 per cent deal breaks down as the NUT wishes, are intent on pressing the advantage and insisting unions tell their members to "resume voluntary activities."

The unions, knowing many of their members will not return to the pre-dispute ways and aware that the question of voluntary activities will be at the heart of forthcoming negotiations on a new teacher contract, say they cannot afford to compromise any further.

A joint statement reached at Acas in the early hours of Friday morning said the position of each union "reverts to that in force before the dispute began."

In the cold light of day, however, this was seen by boths sides to do little to solve the problem.

Having already given ground (accepting, for example, that the employers would not agree to withdraw warning letters on the voluntary activities issue sent to teachers by about 70 education authorities) the unions say they are backed up to a wall which will collapse if the employers push any further.

Meanwhile, the NUT has warned of a full-blooded legal challenge to the deal being considered. The union argues that the pay committee can deal only with salary issues and is therefore not competent to consider a settlement linking pay and service conditions in what it sees as a trade-off.

There is speculation that the NUT will not go through with its threat of seeking a High Court declaration on the matter but will fall back to fight the deal in the service conditions committee.

However, the smaller unions say the employers agreed at Acas last Friday that they would regard the deal as ratified once it has been through the pay committee regardless of the service conditions committee.

# Cut in advance defence payouts 'an incentive'

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

THE GOVERNMENT'S decision to cut advance payments on defence contracts is specifically not aimed at small businesses, according to Mr Peter Levene, chief of defence procurement at the Ministry of Defence.

The prime purpose of the new measures, which were announced in outline by Mr George Younger, the Defence Secretary, was to give industry the incentive to perform both to time and to cost on longer term and, in general, large defence contracts, Mr Levene said.

The measures announced late last month by Mr Younger would reduce so-called interim or progress payments on a wide range of defence business, currently amounting to more than £8bn a year.

Mr Younger said the ministry intended to withhold "a significant part of the payments until such time as the goods are produced, prove to meet our requirements, and are suitable for use by the armed services."

The process by which up to 100 per cent payments were made before delivery would stop, as would all interim profits payments, Mr Younger said.

Mr Levene said in an interview with the Financial Times that the Government had agreed after consultations with the National Defence Industries Council (NDIC) last week to implement the new policy gradually and flexibly.

It is understood that the NDIC, which includes Defence, and Trade and Industry ministers and senior industrialists, had what one participant called a lively meeting, with considerable industry criticism of the new measures.

Negotiations on the new measures would take place on a case-by-case basis, Mr Levene said.

If US experience, on which Mr Levena has drawn, is a guide, amounts could vary between 50 per cent and 90 per cent of agreed contract prices, with an average for large contracts of about 65 per cent.

# BA 'confident' on flotation date

BRITISH AIRWAYS yesterday confidently predicted that its much-delayed sale to the private sector would take place this summer in spite of legal actions still pending in the wake of the Laker Airways collapse in 1982.

A settlement with the Laker liquidator was reached last year, but associated class actions by passengers alleging loss of cheap transatlantic fares as a result of the collapse are still pending.

Two other suits have also been filed, one by Mr Bob Beckman, Laker's lawyer, seeking compensation for former Laker employees, and the other by Ambassador International Travel, a Los Angeles travel agent, over alleged loss of business.

Mr David Burnside, British Airways head of public affairs, said yesterday that the only major legal obstacle to the flotation was the actions by former passengers and that the company expected a settlement when the case came to court on March 17.

"Once the class actions are out of the way the Government will be in a position to fix a date for the flotation and we are confident that it will be in June or July," Mr Burnside said.

"The other two suits are minuscule by comparison. They will be fought through the courts and referred to in the prospectus as outstanding litigation, but they present no major financial contingency and do not present an obstacle to the flotation."

# Output of engineering industries rises 6.5%

Financial Times Reporter

OUTPUT OF Britain's combined engineering industries rose 6.5 per cent last year. There was a strong recovery in mechanical engineering, which grew 6 per cent, its best improvement since 1974.

The Department of Trade and Industry said 21 of the 25 mechanical engineering industries reported higher output. But boilers and process plant fabrications – with the heaviest statistical weighting in this sector – showed only a 3 per cent rise.

The sharpest increases came in metal-working machine tools, up 20 per cent on the year, and mechanical power transmission equipment, which increased 19 per cent. The figures are seasonally adjusted.

Electrical and instrument engineering showed a 7 per cent rise, with electronic data processing equipment again leading the way in this sector with a 27 per cent increase.

The department said 14 of the 20 industries in this category showed increases. But the most heavily weighted industry, basic electrical equipment, fell 9 per cent.

# UK multinationals a 'pensions shield'

BY CLIVE WOLMAN

PENSION FUNDS should be able to nullify any adverse effects of the Labour Party's plans to cut back their overseas assets by investing in UK multinationals, according to an article in the latest issue of The Investment Analyst.

The Labour Party has proposed removing the tax privileges of those pension funds, and possibly also unit trusts and investment trusts, which invest more than 5 per cent of their assets overseas.

The primary objection of investment managers is that the proposed change would not allow them to spread adequately the risks of their clients. This would mean that the value of their investments might be tied too closely to the fluctuations of the UK stock market and economy.

In the quarterly journal of the Society of Investment Analysts, Dr R. S. Thompson of University College, Cork, has published a statistical analysis of whether overseas investment by a UK company in which pension funds can hold shares is an effective substitute for portfolio investment by pension funds in overseas companies.

The study concludes that information about a company's overseas activities should be an important consideration when considering the spread of risk in a portfolio.

● Another article in the journal suggests that investors do not need to buy shares in more than about 10 UK companies to achieve a satisfactory spread of risk. There are few additional benefits to building up a portfolio of more than about 20 stocks.

# TV licence fees 'vital'

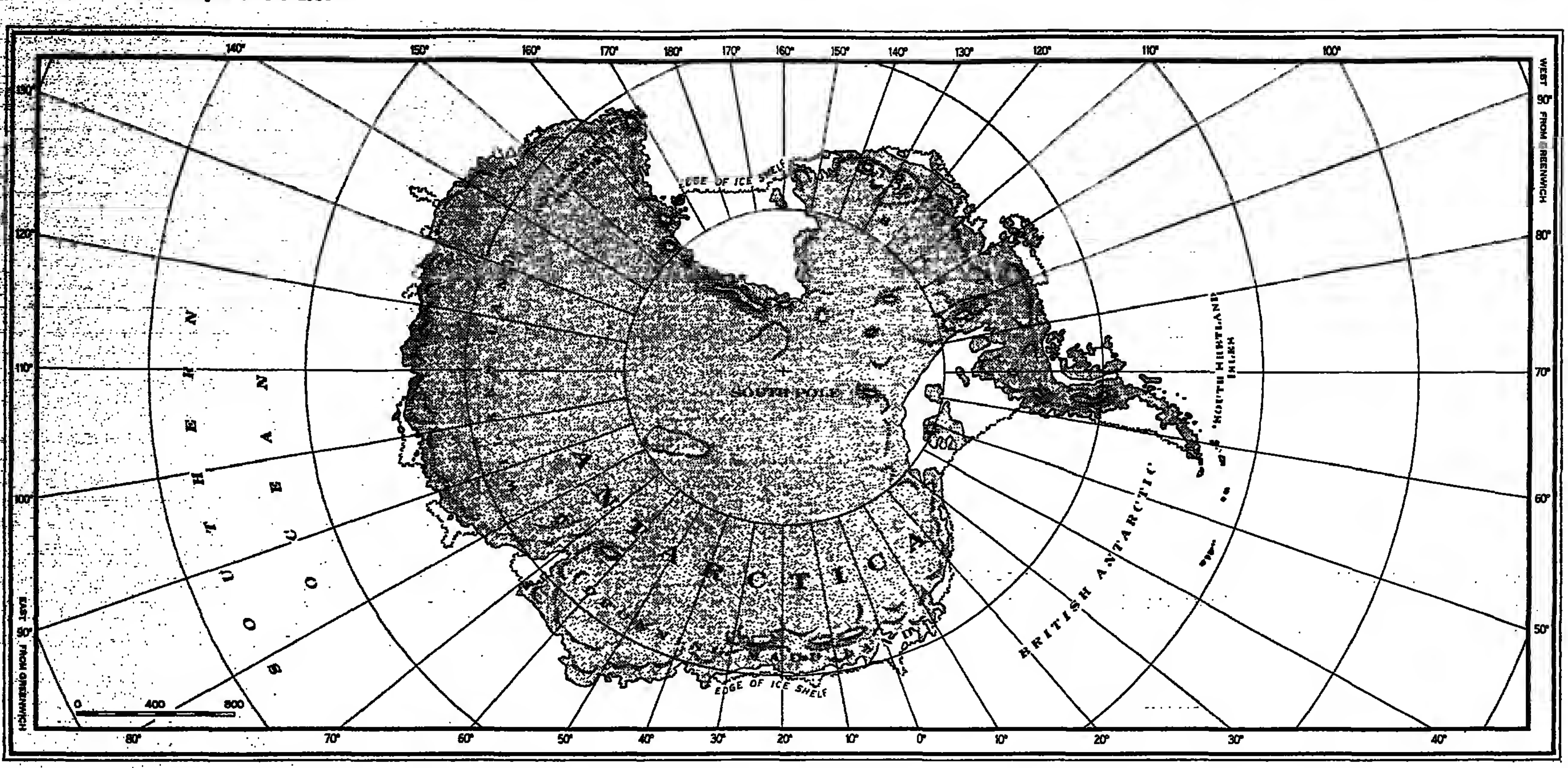
FINANCIAL TIMES REPORTER

THE licence fee should remain central to Britain's broadcasting system, Mr Stuart Young, chairman of the BBC, said yesterday. He warned that the introduction of advertising on the BBC would affect the independence of the ITV companies as well as itself.

Mr Young told Cambridge University Conservative Association that, because the BBC did not depend on commercials, the independent companies were able to maintain their own freedom from the sectional interest of advertisers.

"That might well not be the case if both halves of the national broadcasting structure were commercial, and if an advertiser or a sponsor were able to say to both of them: 'Unless you make changes to your schedules and trim your programmes to my liking, the advertising on which you depend could be placed with your competitors,'" said Mr Young.

If licences were phased out, said Mr Young, British broadcasting would become "ruthlessly commercial" with the consequent loss of programme range and quality.




# The last tax haven?

*The people who believe that any tax shelter is better than none will go to the ends of the earth to find one – only to discover that they're out in the cold because tax treaties have been revised or write-offs disallowed. Before you set out on a perilous journey, have a word with some of the best-qualified tax professionals under the midnight sun. Thanks to KMG's local and world-wide tax planning expertise, many would-be tax travellers have discovered that they're better off staying at home.*

Before you can call yourself an expert on international tax planning, it helps if you have bi-focal vision.

Naturally, it's essential to make a detailed study of the local tax laws in each country involved.

But at the same time you must never lose sight of the global implications.

Few accountants have the structure or the communications to help their clients integrate the two: the demands of a local tax authority and the commercial realities of a specific international tax situation.

A network of 25,000 professionals in 71 countries is a good start.

But sheer numbers and geographic coverage alone aren't enough.

KMG is structured so that each member can work in the way that suits its own clients best. (Rather than dancing to a tune composed several thousands of miles away.)

Thus, the one Engagement Partner you deal with can provide both the global expertise and control of a large international organisation, *and* the local knowledge you expect from a strong local accountant.

This service would be valuable even if tax laws stood still from one week to the next – which they don't.

It's easy to see what an enormous problem this can become for the manager who gets tax ideas from the grapevine or the golf course.

For example, one of our clients (an international service company based in Europe) acquired an American company operating in the same sphere.

On the basis of their experience of the local regulations, the acquired firm's accountants recommended a re-structuring plan to help the holding company get the best tax benefits from their deal.

When the new management team asked KMG to review this plan, we found it overlooked a vital protocol recently added to the tax treaty between the two countries involved.

If they had gone ahead with the original proposals, the tax advantages in the U.S. would have been wiped out by a large reduction in foreign tax credits at home.

Contrary to popular belief, tax havens are not a universal panacea.

Sometimes a particular tax policy appears, at first glance, to provide an attractive opportunity.

But only local experts with regular contacts at government level can read between the lines and assess whether the risks outweigh the benefits.

Above all, international tax planning is never an end in itself, but one of many options to be considered when creating an overall financial strategy.

Taxation treaties between such unlikely partners as Norway and Cyprus, and Holland and Australia, have helped reduce several KMG clients' tax bills considerably.

By no means all of these clients are huge corporations.

*Any* company or individual who does business abroad can benefit.

KMG's client list includes, at one end of the scale, some of the largest multinationals: household names such as Mercedes-Benz, Pfizer, Philips, Pirelli and ICI.

We also serve smaller businesses, with turnovers of perhaps $1½ million or even less, and individuals with overseas interests.

Will you be advised to open a sales office in the Antarctic? As things stand today, no.

Yet Antarctica is hot property; and when its huge reserves of mineral wealth have been properly surveyed, who knows what may follow?

KMG clients will be among the first to know – and to benefit.

For further information about our worldwide network, contact the KMG International Executive Office in Amsterdam on 31 (20) 42 42 45.

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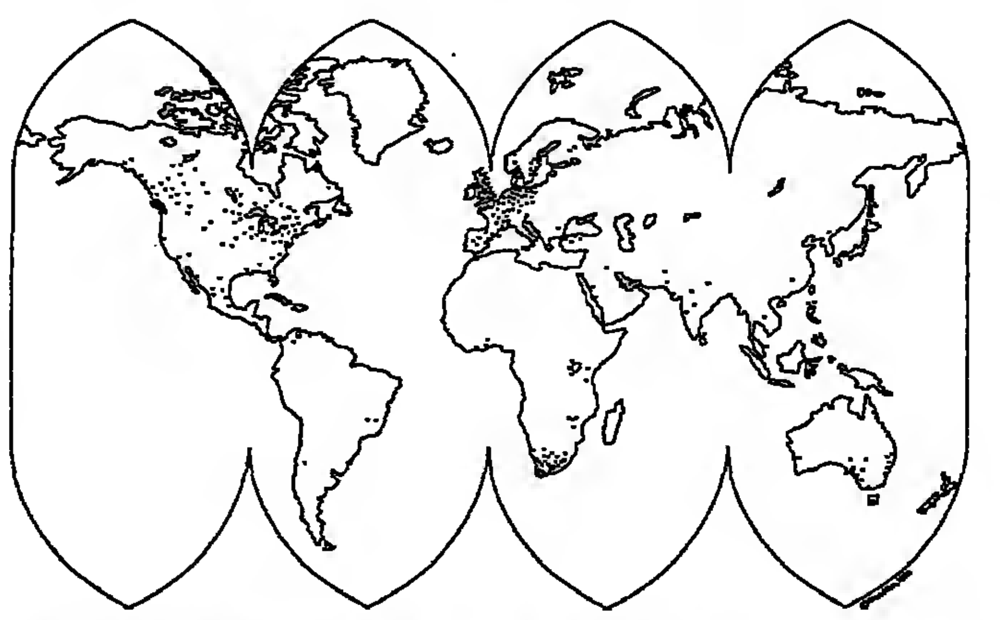

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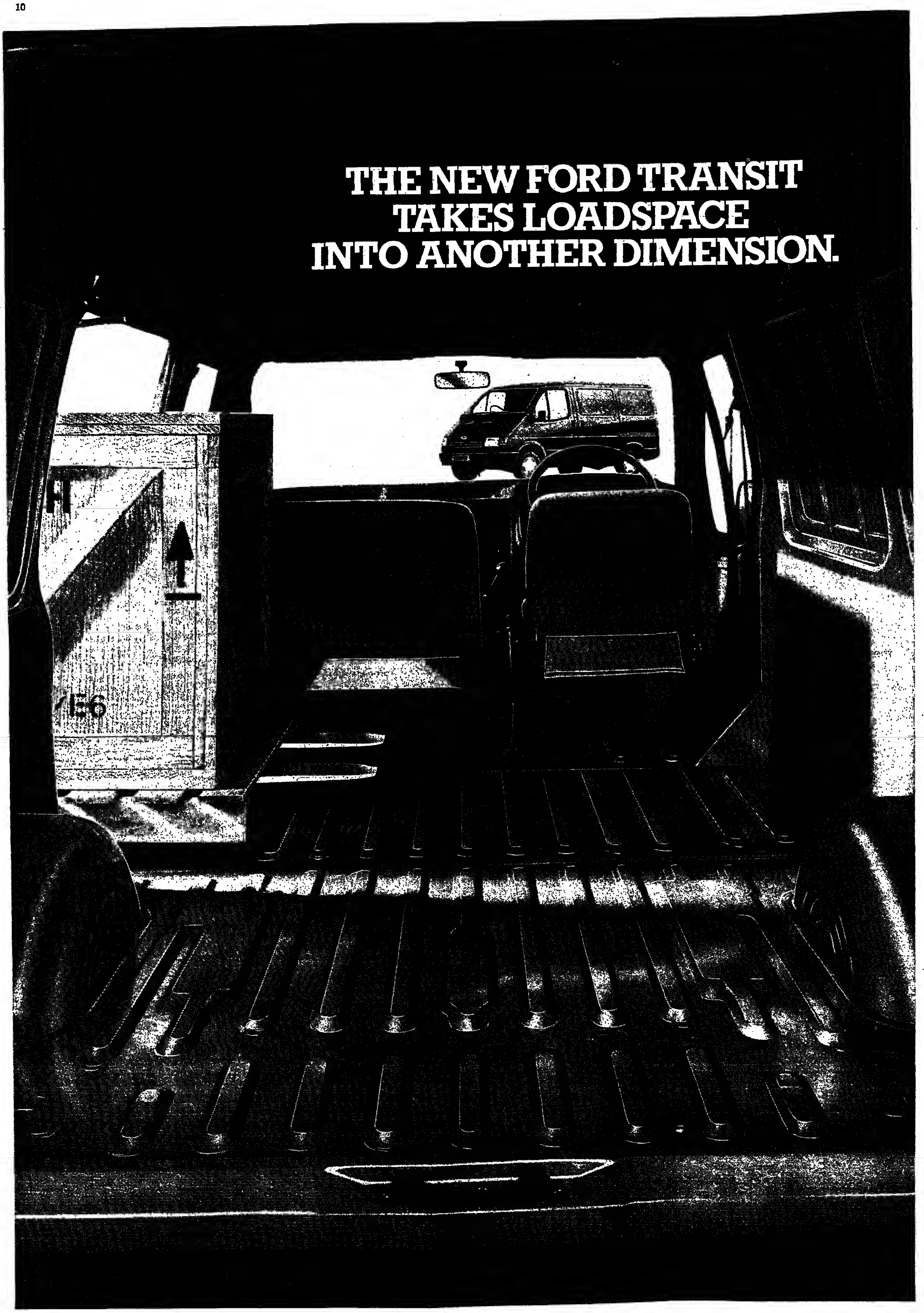

THE NEW FORD TRANSIT
TAKES LOADSPACE
INTO ANOTHER DIMENSION.

# UK NEWS

## Economists urge cut in interest rates

By Our Economics Staff

UK DOMESTIC monetary policy is too tight and interest rates should be eased to avoid strangling the economy's recovery, Liverpool University's economic research group says in its latest quarterly bulletin.

Falling oil prices have provided a tremendous boost to the world economy, the group says, and should reduce inflation in OECD countries by 2 per cent a year in the next few years. Helped by falling US budget deficits, lower inflation would lead to a reduction of up to 3 per cent in world interest rates, dramatically easing the world debt problem.

For the UK, falling nil prices would also help infletion, and sterling would remain firm after adjusting downwards once and for all. The downward pressure on inflation would make it even harder for the authorities to resist the pressure for interest rates to fall.

The group forecasts a fall in inflation from 4.9 per cent in 1985 to 3.2 per cent this year. This would drop to 2.4 per cent in 1987 and to 2 per cent for the remainder of the decade.

UK growth is forecast to pick up in response to the upturn in world trade, with private domestic and external demand remaining strong. The bulletin predicts growth of 3.6 per cent this year, rising to 3.9 per cent in 1988 before tailing off again to 3.2 per cent in 1990.

However, the group is much less optimistic about unemployment than previously. It forecasts that unemployment will flatten and start to decline in the next year, but warns that if real rates of interest are to be kept at the prevailing level, the recovery will be halted.

*Liverpool Quarterly Economic Bulletin, £75 a year, Department of Economic and Business Studies, University of Liverpool, PO Box 147, Liverpool L69 3BX.*

Robin Pauley looks at how Britain has fallen behind in sexual equality

## New victory for women's status

MISS HELEN MARSHALL, a retired dietician, is the latest in a long line of women who have caused the European Court of Justice to pronounce that Britain's equality laws leave men and women far from equal.

Miss Marshall is now 68 and has occupied her first six years of retirement fighting against her forced retirement at an earlier age than if she had been a man doing the same job in Britain's National Health Service.

Under the rules of her local health authority, Miss Marshall should have retired at 60, but her objections persuaded the authority to let her stay until she was 62 when they insisted that she left.

This is a far cry from the early 1970s when Britain looked as if it was at the forefront of changes to society to give women equal status to men, particularly in the workplace. The key pieces of legislation were the Equal Pay Act 1970, implemented in 1975, and the Sex Discrimination Act 1975.

But the EEC Commission has taken a much more genuinely equal view of women's status through a series of directives, and Britain has been one of the states most prone to *drag its feet* on meeting the requirements of the directives. A series of defeats for the British Government in the European Court has torn both acts asunder and left Britain with a poor image on equality.

Article 119 of the Treaty of Rome says men and women should receive equal pay for equal work, pay being the ordinary basic or minimum wage or salary and any other consideration in cash or kind which the worker receives from the employer. The Council of Ministers has also adopted three directives on sex equality at work.

The 1975 equal pay directive sets the principle of equal pay for equal work. The 1976 equal treatment directive aims to overcome sex discrimination at the point of entry into the labour market, in vocational training and in promotion and working conditions.

It also forbids discrimination on the grounds of sex either directly or indirectly by reference in particular to marital or family status.

It is this 1976 directive which was breached by Miss Marshall's enforced retirement at an age below that which would have been applied for a man.

The 1979 social security directive forbids discrimination over contributions or entitlements to social security and benefit schemes.

Between them Britain's Equal Opportunities Commission (EOC) and the European Court have highlighted the UK's failures to treat women equally although many other EEC states have also been found dragging their feet in one way or another.

**The Treaty of Rome lays down that men and women should receive equal pay for equal work and Council of Ministers has also adopted three directives from the Commission on sex equality at work. Although not the only offender, Britain has been one of the states most prone to drag its feet on meeting these requirements.**

Four – Luxembourg, Belgium, West Germany and Italy – also breach the directive in respect of differing public-sector retirement ages. Spain and Greece do too, but as new members of the EEC they are still within their transition periods of adopting all the rules and regulations.

The EEC first took Britain to the European Court over the Equal Pay Act because it required equal pay only where a women did "like work" with a man or where her work had been rated as equivalent to his under a job evaluation scheme," but did not insist on equal pay for work of equal value.

The Court ruled against Britain in 1982 and as a result Britain had to amend the act so that from January 1 1984 women have been entitled to claim equal pay for work of equal value.

But government earnings figures show women still adrift of men's pay levels in a range of occupations, including those where the difficult concept of "equal value" is easy to assess.

The EOC backed a test case in which a cook at the shipbuilder Cammell Laird claimed her training and work were of equal value to that of other craftsmen in the company. This case was won in principle although faulted on a technicality on which a final verdict is awaited.

But if the cook wins on this as well, the Equal Pay Act will be redundant in all but name, and women will have scored a victory with enormous cost implications for private and public-sector employers.

The British Government was defeated again in the European Court in 1983 when the EEC Commission successfully complained that Britain's 1975 Sex Discrimination Act did not take account of sex discrimination arising from collective agreements between trade unions and management, regulations governing the internal affairs of companies, independent occupations and professions.

Britain was also at fault for excluding the principle of sex equality from private homes or businesses where no more than five people were employed.

The Sex Discrimination Bill currently before the House of Lords is attempting to rectify some of these failures, but it does not cover the retirement age discrimination on which Miss Marshall scored a landmark victory in the European Court last week. The Government is now urgently considering introduction amendments to the bill to cover this judgment as well although the implications are substantial.

Although the judgment refers to the public sector, any amendments to sex discrimination legislation would cover the private sector as well.

The judgment does not cover the age at which the state pension becomes payable, but if the man's retirement age were reduced, the cost would be larga unless he were left for some years up to 65 with no state pension. To equalise retirement ages at no cost would mean men and women retiring at just over 64.

Britain has appeared before the European Court on issues involving discriminatinn against women more times than any other EEC country. In one case a woman manager fnr a pharmaceutical company successfully argued that she was entitled to compare ber pay with the man previously doing her jnb even though he left four months before she took up the job.

In another case, two women employed by Lloyds Bank successfully argued that the bank's occupational pension scheme discriminated in fevour of male workers.

Last year the EEC initiated a new action programme on the promotion of equal opportunities for women, noting that "despite past efforts at community and national level inequalities in employment still persist in practice and may well be exacerbated in the present crisis conditions."

In the EEC states excluding Spain and Portugal, the proportion nf women in civilian employment is now around 36 per cent, ranging from 31 per cent in Ireland to 46 per cent in Denmark. This represents about 40m women out of a total civilian workforce of about 105m.

**RETIREMENT AGES IN EEC STATES**

| Country | Men | Women |
|---|---|---|
| UK | 65 | 60 |
| Netherlands | 65 | 65 |
| Luxembourg | 65 | 60 |
| Italy | 60 | 55 |
| Ireland | 65 | 65 |
| Greece | 60 | 55 |
| West Germany | 65 or 67 | 60 |
| France | 60 | 60 |
| Denmark | 67 | 67 |
| Belgium | 65 | 60 |
| Spain | 65 | 64 |
| Portugal | 60 | 60 |

Source: EEC Commission

# TECHNOLOGY

EDITED BY CHRISTOPHER LORENZ

## Dialback solution to beating fraud

COMPUTER fraud and penetration of apparently secure computer systems have suddenly become hot topics.

One answer is the dialback modem, a device which makes it just that little bit more difficult to break into a computer system.

Users dialling into a computer network fitted with dialback modems are asked initially for their password. The unit checks the password against a look-up table and if it is found, the unit asks the user to clear the line. It then dials back to the number shown against the password on the look-up table.

If the password is not found, the system assumes the call is illegal and will not make the connection.

Companies which market dial back modems include Customised Data of High Wycombe, Bucks.

**Christopher Parkes** on a new technique for extending the shelf life of fruit

# Why sleepy bananas stay fresh longer

THE NOTION of an anaesthetised banana may be difficult to grasp, but that is the image Mr Frazer Imrie conjures up to describe the fruit preservation process perfected by his company, Sempe Bio-Technology.

Time was when exotic fruits had to be varnished or coated in shellac, toffee-apple fashion, to preserve them on the long journey from the tropics to the rich man's table.

In more recent years, combinations of synthetic and natural waxes and woter suspensions of "soft" polythene have been used to inhibit the rapid ripening and decay characteristics which still account for the loss each year of some 40 per cent of the world fruit crop.

These products seal the treated fruit inside an impermeable second skin. They virtually stop the natural processes, characterised by the absorption of oxygen — which converts complex sugars and starches to simple sugars and citric acid— and the release of carbon dioxide through the skin.

The fruit is effectively preserved. It is also "suffocated." It eventually dies and becomes unmarketable. Fruit coated with Semper's development, Semperfresh, which is based on sucrose esters—a complex mixture of hydrocarbons—is merely "put to sleep," Mr Imrie says.

The material modifies the gas exchange, greatly reducing the intake of oxygen while allowing out almost all the carbon dioxide produced in the treated fruit.

Apart from greatly extending shelf-life, o micro-film of Semperfresh allows shippers to transport cargoes et higher temperatures than those required even for waxed fruit. It is simpler to use than the wax emulsions and is effective even on the most delicate fruits.

The company claims its products can extend the shelf life of grapes by up to 30 days, papaya by 21 days and even water cress by seven days. The process, completed by simply dispersing the Semperfresh powder in water and dipping the fruit, costs about 0.5 US cents a kilo. "The cost is comparable with that of anything else on the market," Mr Imrie claims.

Mr Imrie makes the point that the product's constituents are all natural food ingredients approved for use in the European Community, the US and Jopan. They are edible and totally biodegradable.

Average coating on each piece of fruit is about 1mg, the company claims, well within the World Health Organisation's recommended acceptable daily intake level for sucrose esters of 10mg per kg of human body weight.

Mr Imrie perfected his formula—the basic idea came from the Soviet Union in the late


1960s and has since been worked on by several international sugar companies—after be retired from Tate and Lyle in 1982 following a career in research and development.

The basement of his Reading home became e laboratory and his car was parked outsida to make room for a pilot plant in the garage. Now the company has eight staff, e 4,000 sq ft laboratory and factory near Wantage, Oxfordshire and—Mr Imrie cheerfully admits—"minuta" annual turnover.

However, be is confident that firm, large-scale orders are on the way. This is largely due to the meticulous marketing effort put in over the past two years.

Learning from the mistakes of others who have tried to launch similar products, and seeing no point in tinkering on the fringes of the trade, Mr Imrie and his marketing head, Mr Malcolm Thurlbeck, went directly to three of the world's biggest fruit traders.

United Brands, famous for its Fyffes bananas, Del Monte, an offsboot of R. J. Reynolds, and Castle and Cooke, best known for the Dole brand, have all subjected Semperfresh to commercial trials, spending up to $250,000 in the process.

Mr Imrie says he will sign a major contract with one of the three before Easter and is negotieting with the others. Acceptance at this level would give the company a powerful endorsement.

These companies between them account for 70 per cent of world trade in fresh pineapples. The fruit is usually transported in cooled ships and commonly suffers from chill damage which can result in up to 30 per cent of a load being marred by the development of brown spots in the flesh.

Cargoes anaesthetised with Semperfresh and shipped ot 12 deg C compared with the usual 8 deg C, have been landed with only 4 per cent suffering from internal blemisbes.

In a parallel effort, the company has opened up offices and developed contacts among growers and traders in the US, the Philippines, Australie, Japan, Pakistan, Spain and Africa. It has also set up a joint venture in Guangzhou, China. Closer to home, Mr Thurlbeck is often to be seen stamping in the dewn chill at London's New Covent Garden fruit and vegetable market.

Apart from the leading shippers, Mr Imrie sees a major potential outlet in the third world. Many fruit-producing countries have potentially large domestic markets which have not been developed mainly because they lack the necessarily sophisticated chilled transport and storage facilities. Use of the sucrose ester mix could obviate the need for this costly infrastructure.

Mr Imrie maintains a strictly pragmatic attitude to his company's prospects in the main international markets. The big shippers have invested beavily in cooled chain distribution networks. "No one is going to cut all that out because we have got a magic powder," be says.

But, he adds, Semperfresh offers e valuable adjunct to conventional preservation and transport methods, possibly doubling the shelf-life of fruit imported chilled. The technique also opens up the possibility of conventional shipping for some fruits which currently have to be air-freighted to distant markets at great cost.

The highly competitive European market in apples and pears could also benefit, Mr Imrie claims. Marketing-conscious co-operatives in France, for example, commonly store 1,000-tonne betches of Golden Delicious apples in controlled atmosphere cells.

Inside, the concentrations of oxygen and carbon dioxide are odjusted to slow down maturation of the fruit. "The apples are like alarm clocks," says Mr Imrie. "They all show the aame time when they go into store."

But once they come out the ripening process accelerates and they all go off at the same time, giving the producer about four days to get to market.

Since the biggest premiums are earned in any market by the tradar who sells when there is o gap in supplies, Mr Imrie argues that producers can gain potentially valuable time by treating stocks with Semperfresh as they come out of store.



# Compact disks take on database role

COMPACT LASER DISKS, developed from technology used in home hi-fi systems, are catching on as databases for personal computers. Two newly-announced services aim to supply disks containing pre-recorded information which can be retrieved using special "read-only" players attached to computers.

Microinfo of Alton, Hampshire (0420 86848) has agreed with Disclosure Inc of Maryland in the US to launch a database for investment and other financial organisations. It covers the corporate data of some 10,000 US companies. Several scientific and technical databases will also be available. Subscribers need access to an IBM PC and a compact disk drive.

In a second project, Digital Equipment Company (DEC) and CAB International (formerly the Commonwealth Agricultural Bureau) are providing agricultural information on a series of disks each holding 200,000 pages of A4. More from DEC on 0734 868711.

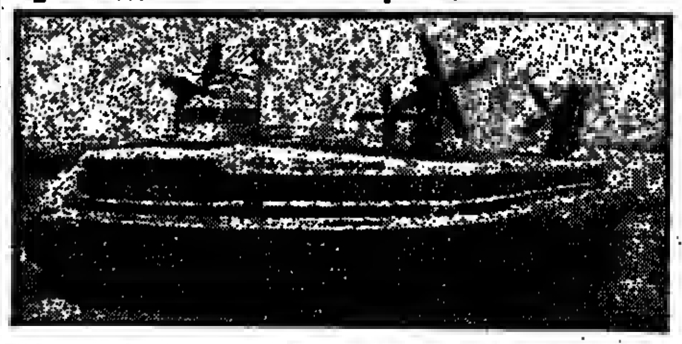
## WORTH WATCHING

EDITED BY GEOFF CHARLISH

FIBRE OPTIC communications on 32 two-way channels over distances up to 4000 metres is offered on a system from Swedish company Fiberdata AB of Bromma (8733 9190).

COMPUTER INTEGRATED manufacturing (CIM) will be a major target for a new company set up by the Krupp group in Essen.

Several Krupp companies involved in process control and automation have merged to form Krupp Atlas Datensystem. The workforce numbers 360 and the sales target for 1986 is DM 80m. The company aims to be among Europe's top CIM suppliers by 1995.



Production of skirts for SRN4 hovercraft has been improved by a new cutting technique.

HOVERCRAFT SKIRTS are being cut with 50,000 psi water jets at British Hovercraft Corporation under the control of a programming system developed by Kongsberg Systems Technology, part of the Norwegian engineering group.

It was the development of these high efficiency skirts, using computer design techniques, which enabled the SRN4 craft to double its payload while offering an improved ride.

The new guided cutting technique has eliminated paper templates and manual cutting by knife, improving productivity and quality.

ITEM IDENTIFICATION for automated manufacturing systems is made easy using a non-contact system developed by Karl Hertel of Nuneaton (0203 386279).

To identify work pallets and tools for example, a special 32 bit memory chip carried in a hermetically sealed protective capsule is fixed to the item.

Each chip is programmed with a unique number and by magnetic induction, the data is picked up by a trackside sensor while the labelled item is on the move. No battery is needed because the sensing head first energises the chip and then reads it.

METROPOLITAN POLICE communications should benefit from work by International Computers and by Eosys, the information technology consultancy.

ICL will design an advanced computer control system which will give increased, fast access by policemen to the Met's computer-based services. Workstation users will access an ICL 2988 mainframe computer via an X25 packet network which will use open system interconnect (OSI) standards.

Eosys, under a DTI contract, will undertake a six months' study to define a communication architecture and examine the feasibility of using OSI standards to support current and planned Metropolitan Police information systems.

MANPOWER SAFETY on tall constructions from which workers might fall is provided by a continuous wire and attachment system from Latchways of Calne, Wiltshire (0249 816326).

Using the Transfastener, the man's attachment strap slides continuously along a steel wire and can pass through or round the wire attachment points on the building without at any time detaching itself from the wire.

The user has complete freedom of movement and does not have the distraction of re-attaching his safety hook after negotiating obstacles.

WIRE HARNESS design for the electrical and electronic industries is provided by a new computer-aided design software package from Computervision of Basingstoke (0256 58128).

Called CV-PAC, the system runs on a Computervision CDS 4000 system and can reduce the time and cost of wiring design and development by a factor of two or three, says CV. It eliminates the need to build costly scale models and prototypes.

CERAMIC WARE production times can be reduced using a new casting machine from Ceramic Microwave Products of Stoke on Trent (0782 24491).

Made under licence from Refac Corporation of New York, the machine projects microwave energy into the filled moulds to give efficient use of the heat and a reduction in set-up and release times of up to 70 per cent.

**Andrew Gowers** on Britain's beleaguered dairy monopoly

# Trying times for the Milk Board

THESE ARE not particularly happy times at the Milk Marketing Board (MMB), the giant farmer co-operative which dominates Britain's £3bn-a-year dairy industry.

Already battered by milk production quotas, the Board—which has a monopoly over milk supplies in England and Wales—is now under increasing legal attack on several fronts from elsewhere in the EEC and locked in a struggle with the independent dairy companies it sells to over the future of its large manufacturing and commercial division, known as Dairy Crest Foods.

At stake, as far as both the MMB and the dairy companies are concerned, is the balance of power between buyers and sellers in a business riddled with surplus production capacity, byzantine pricing practices and Government interference.

The dairy companies, such as Express Dairy, Unigate and Northern Foods, have never sat particularly comfortably alongside what amounts to a national producer cartel. And the European Commission, like Britain's EEC competitors, has looked askance at the MMB since the UK joined the Community in 1973.

But its troubles have come to a head again over the last couple of years. The first big blow was the imposition of milk production quotas by the EEC in April 1984. Years of output expansion were suddenly thrown into reverse, and some of the Board's heavy investments in creameries to process the extra milk were left high and dry.

It has since shut five cheese creameries and mothballed 20 per cent of its butter and powder plant. But there is still a problem with excess capacity —and one that will get worse again after another EEC milk production cut plannad to start this year. The Dairy Trade Federation, which represents the independent companies, reckons that 40 per cent of butter-manufacturing capacity in England and Wales—or about 70,000 tonnes—will be in surplus once that takes effect.

As if that were not enough, the Milk Board faces three other more or less imminent challenges:

● The UK is in the dock of the European Court in Luxembourg over its former pricing arrangements for milk destined to be processed into butter. If it loses, the consequences could be very costly.

The Irish Dairy Board has a parallel claim against the MMB in the British courts for damages totalling £12m.

● The UK is also coming under increasing pressure to allow imports of pasteurised milk, which would be a severe blow to the MMB monopoly.

● But perhaps the most serious immediate question for the Board concerns the long-term future of its commercial division, Dairy Crest Foods, which has been an increasingly aggressive presence in selling manufactured dairly produce in the high street.

This has been a matter of increasing contention between the MMB and the independent dairy companies over the past few years, with the dairy companies arguing that Dairy Crest is an unfair competitor. But the issue has been brought to a head by the publication in January of a Government-commissioned report by management consultants Touche Ross which criticised key aspects of Dairy Crest's operations.

**KEY FIGURES**

| | (year ended March 31) 1984 | 1985 |
|---|---|---|
| Milk Marketing Board turnover | £2.43bn | £2.27bn |
| Dairy Crest Foods turnover | £974.5m | £899.5m |
| Dairy Crest Foods profit (available for producers) | £4m | £10.3m |
| MMB staff | 13,654 | 12,403 |
| of which Dairy Crest staff | 10,484 | 9,441 |

This dispute goes to the centre of the historical web of anomalies and peculiarities in Britain's milk marketing arrangements.

In most other EEC countries milk is produced and processed by a series of regional farmer co-operatives which control almost every link in the production and marketing chain. Nowhere else does a body with national monopoly power over milk supplies sit alongside a group of privately-owned companies which buy and distribute its product.

This concentration on both sides of the industry has its origins in tha 19th century, when the railway boom encouraged private investment in collection and distribution networks for milk beyond and between individual regions. The power which such companies could wield in setting prices among a fragmented, disorganised and, by all accounts, fairly impoverished collection of dairy farmers was immense. As a result, the Government decided in the early 1930's to try and offset this influence by *grouping the farmers together* under a series of statutory marketing boards.

For years the new structure seemed to work—subject to occasional bouts of grumbling from the dairy companies. The farmers enjoyed protected incomes by supplying Britain's large and high-priced liquid milk market and receiving deficiency payments from the taxpayer; the companies benefited from guaranteed profit margins under arrangements hammered out annually with the Ministry of Agriculture; and consumers had little cause for complaint because they had access to unlimited imports of cheap manufactured dairy produce from countries like New Zealand, Australia and Canada.

However, the rules of the game changed fundamentally when Britain joined the EEC. Dairy produce imports from the Commonwealth were sharply curtailed and were replaced by a tide of sales by other Community countries, chiefly Ireland, Denmark, France and the Netherlands. Deficiency payments were supplanted by the Community's system of intervention buying of butter and skimmed milk powder.

At the same time British farmers were actively encouraged by successive governments to maximise output, and dairy companies invested heavily in cheese plants to process their expanded production and to cash in on improving returns from the manufacturing side.

In addition the Board, which has a legal obligation to buy all milk produced in England and Wales, was faced with an urgent need to invest in extra manufacturing plants in order to process milk into the products which directly received EEC price support—namely, butter and skimmed milk powder (SMP).

The commercial companies—*seeing poor returns from these products*—were not enthusiastic about undertaking major investments, according to Board officials who were involved in discussions with them in the early 1970s. "By default, the Board was forced to spend a lot of money on new butter and SMP plants," says one.

That sowed the seeds of the present conflict. The Board had been involved in commercial activities—in addition to its prime function of selling milk on to *others—almost since its* inception. But it was usually at the margin, buying small creameries or liquid milk businesses which were on the verge of bankruptcy and whose collapse would have deprived it of an essential outlet for milk.

The investments undertaken in the 1970's were a major departure; as well as the monopoly supplier, the Board was becoming an extremely important user of milk alongside the independent companies. And in 1979, it set the seal on this move by acquiring 16 large creameries from Unigate. As a result, Dairy Crest became the largest cheese and butter manufacturer in England and Wales, with 70 per cent of all butter-making capacity and 40 pet cent of cheese manufacture.

This deeply unsettled the dairy companies; and their worries turned to fury when they saw Dairy Crest expanding aggressively into the own-brand marketing business in the early 1980's.

But the dairy companies have other, potentially more serious charges. They say that Dairy Crest is an unfair competitor; that it is not operating completely separately from the Board or "on an equal footing" with them as it is required to be under EEC law.

It was to look into these complaints that the Ministry of Agriculture eventually set up the inquiry into the relationship between the MMB and Dairy Crest by Touche Ross last year.

Its findings, while expressed in cautious accountants' language, could prove to be extremely damaging, for they underline two essential points: that Dairy Crest has not performed as well financially as an independent company would be expected to, and that its strategy has been substantially influenced by the overall interests of the Board—that is, by the interests of milk producers rather than the strictly commercial interests of a milk processor.

The dairy companies are intent on using the Touche Ross conclusions to force the Milk Board to sell off Dairy Crest, and to return the MMB to its buyer of last resort function. The MMB's long-serving and powerful chairman, Sir Steve Roberts, replies bluntly: "That business is not for sale."

But behind all the Board's fighting rhetoric lie fears of a more fundamental realignment in the industry. If it were to sell off Dairy Crest, the buyer would almost certainly be one of the independent dairy companies. And if that happened, five powerful companies would have 85 per cent of all milk processing capacity in England and Wales—companies which all buy milk at the same prices and, according to many observers, are not particularly energetic competitors among themselves.

That is a concentration of power against the producer which fills the men of the Milk Board with foreboding.

# THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Brown Boveri

# Switzerland's lone ranger stages a new showdown

**William Dullforce on Fritz Leutwiler's bid to revitalise a troubled engineering giant**

WHEN Dr Fritz Leutwiler drove up to Brown Boveri's headquarters last June for his first day's work as chairman, the Swiss business establishment's expectations were something like those of a cinema audience watching a sheriff ride in to clean up a wild-west township.

The lone ranger image, deprecated by Leutwiler himself, is not totally inappropriate. Asked by the big Swiss banks and financiers to jolt the stolid electrical engineering group out of its torpor, the former President of the Swiss National Bank and chairman of the Bank for International Settlements—a man with no industrial experience — could not resist the challenge. Brown Boveri is Switzerland's biggest engineering company, and a top name in world markets for power generation and distribution equipment.

Less than six months later he unveiled a far-reaching management re-organisation, and a move to reassert control over Brown Boveri's large West German subsidiary. The re-organisation plan had been formulated by the management before he took over, Leutwiler claimed—he had merely assessed the implications and taken the decision to implement it.

But last week Piero Hummel, the chief executive who had worked closely with Leutwiler's predecessor, resigned. Leutwiler is likely to act as his own chief executive for the time being.

The restructuring, which should be completed by the autumn, will essentially shift the emphasis within the multinational from geographically based profit centres to 24 product divisions. Brown Boveri is to be managed as a group rather than as a conglomerate, Leutwiler says.

The intention is to marshal the group's dispersed and under-utilised resources, especially its big research effort, so that it can compete more effectively worldwide, but principally with its European rivals, Siemens of West Germany, General Electric of Britain and Asea of Sweden.

In this competition Brown Boveri has been losing ground. It has, for instance, been slower to expand out of a declining market for its core power engineering business into new product areas.

Brown Boveri's sluggishness springs from two main factors: its mainstream activities have generated enough cash to dull the incentive to diversify; and the group has always had a strong philosophy of sticking to the business it knows best.

The reorganisation into divisions will, it is hoped, give managers greater incentive and leeway to carve out markets for new products.

The financiers who engineered Leutwiler's appointment are also bargaining on the hope that the very arrival at the top of such a strong decision-maker will somehow galvanise divisional managers into being more adventurous in seeking new markets. Though the programme he outlined in December promises in principle, at least, to meet many Swiss analysts' recent objections, most of them are suspending judgement until they see real evidence of change. Leutwiler himself does not expect to see positive results before 1987.

The plan nevertheless leaves unanswered the question of whether a lone stranger, even one with the proven toughness and incisiveness of Leutwiler, can have a sufficiently catalytic effect on what has recently appeared to be a sluggish, dis-oriented management. The question is the more relevant when the new chairman is simultaneously doing another demanding job, negotiating the rescheduling of South Africa's debt, a task he took on last autumn at Pretoria's request.

Brown Boveri, Switzerland's third largest corporation after Nestle and Ciba-Geigy, is one of the world's largest electrical engineering groups. From its headquarters in Baden, which lies between Basle and Zurich, it employs some 100,000 people worldwide.

Even after retrenchment, its electrical business in 1983 was still bigger than the comparable operations of Britain's General Electric Company, Japan's Toshiba, Sweden's Asea or France's Alsthom-Atlantique.

Its problems are immediately evident from a comparison of the companies' growth. Between 1975 and 1984 Brown Boveri's consolidated group turnover increased by 48 per cent. Siemens' turnover climbed by 142 per cent, GEC's by 216 per cent and Asea's by 359 per cent.

These companies have coped successfully with the shrinkage of the market for electrical engineering equipment which has resulted from energy conservation policies implemented after the oil price shocks of the 1970s, from the decline in demand for nuclear energy plants and from the financial difficulties of Third World customers.

The Swiss concern's earnings performance has been equally bleak. Comparisons are made difficult by Brown Boveri's low level of disclosure until 1984, when it produced its first consolidated accounts, and by differences in accounting methods. But the Neue Zuercher Zeitung recently estimated that Brown Boveri's earnings have grown by only 29 per cent in the 10 years to 1984, compared with increases of 396 per cent for Asea, 367 per cent for General Electric and 133 per cent for Siemens.

In 1984 Brown Boveri showed net earnings of SFr 85m (£28m) on group sales of SFr 11.2bn. That represented a recovery from a loss of SFr 52m in the previous year. Further improvement in net profit is forecast this year, but the ratio of earnings to sales will remain low. "The kind of profitability we could get from investing in bonds will be out of reach in the near future," Leutwiler says realistically.

Much criticism of Brown Boveri's management has centred on its failure to get the group's product mix right. It has cut capacity in electricity generation and distribution equipment by half. Yet in 1984 these two sectors still provided 49.7 per cent of sales compared with 45.1 per cent in 1980. Its competitors have broader product bases.

Spending on research and development has been high, roughly SFr 1bn a year, but Brown Boveri has failed to translate that effort into successful products. An advanced liquid crystal display developed originally for the watch industry, then shunted into a joint venture with Philips and finally abandoned in 1984, is one example.

The path from the laboratory to the marketplace has often proved very long. Engineers worked for 12 years on a turbo charger for car diesel engines using an innovative approach. The engine is now running in a few hundred Opel cars, but appears to have missed the market.

A frequently heard explanation for Brown Boveri's recent poor performance is that it is a concern run by perfectionist engineers. Japanese companies start marketing a product as soon as the research is done; Brown Boveri's engineers carry on refining theirs often until it is too late and too expensive.

Taking a long-term view has always been held up as a positive part of the group's business philosophy.

In its core business, where customers are power corporations and utilities, or public transport monopolies buying products they expect to last for a quarter or half a century, this approach may be necessary.

But this is not the ideal attitude for a company seeking to launch innovative products and to carve out fresh markets. American analysts tend to dub Brown Boveri is "risk averse."

It took the group five years to persuade US customers of the advantages of its gas insulated switches, which permit faster and more durable electrical switching than conventional insulation. Such underestimation of the difficulties involved in transferring Swiss technology across the Atlantic has been only one facet of the troubles it has encountered in trying to expand its US business.

The group also made an expensive attempt to break into the US gas turbine market just at the wrong time. The market collapsed soon after the manufacturing project was completed and Brown Boveri was forced to pull out. Group headquarters have had to shoulder some SFr 150m of losses from the US.

A prime source of the company's weakness, it is now recognised, has been the management structure. Brown Boveri has been traditionally organised geographically into national profit centres of greatly varying size. It has certainly been advantageous for a group based in a small country to be able to display a national label when competing for orders on local markets, and to be able to draw on local export finance. But since the late 1970s the disadvantages of scattered, overlapping production and of internecine competition for export orders have loomed ever larger.

The biggest worry has been the West German company in Mannheim, which provides roughly one-third of group turnover. A primary aim of the measures announced in December was to restore Baden's control over Mannheim by increasing its stake from 56 per cent to the 75 per cent required by West German law for the exercise of direct control. This aim has now been realised.

The main thrust of the December reorganisation is, in Leutwiler's words, to "move the emphasis from the region to the product" and to create an entrepreneurial mentality among the heads of the newly created divisions.

The restructuring is not a clean break with the past: Baden hopes to retain some of the advantages of its widespread sales organisation and its national company relationships. But, it is hoped, the reorganisation will set managers free to exploit and market the many new products emerging from the work of more than 7,000 engineers employed on research and development.

The new pyramid is topped by a management board of eight who divide between themselves the business activities, the functional operations such as planning, finance and research, and the remaining regional responsibilities.

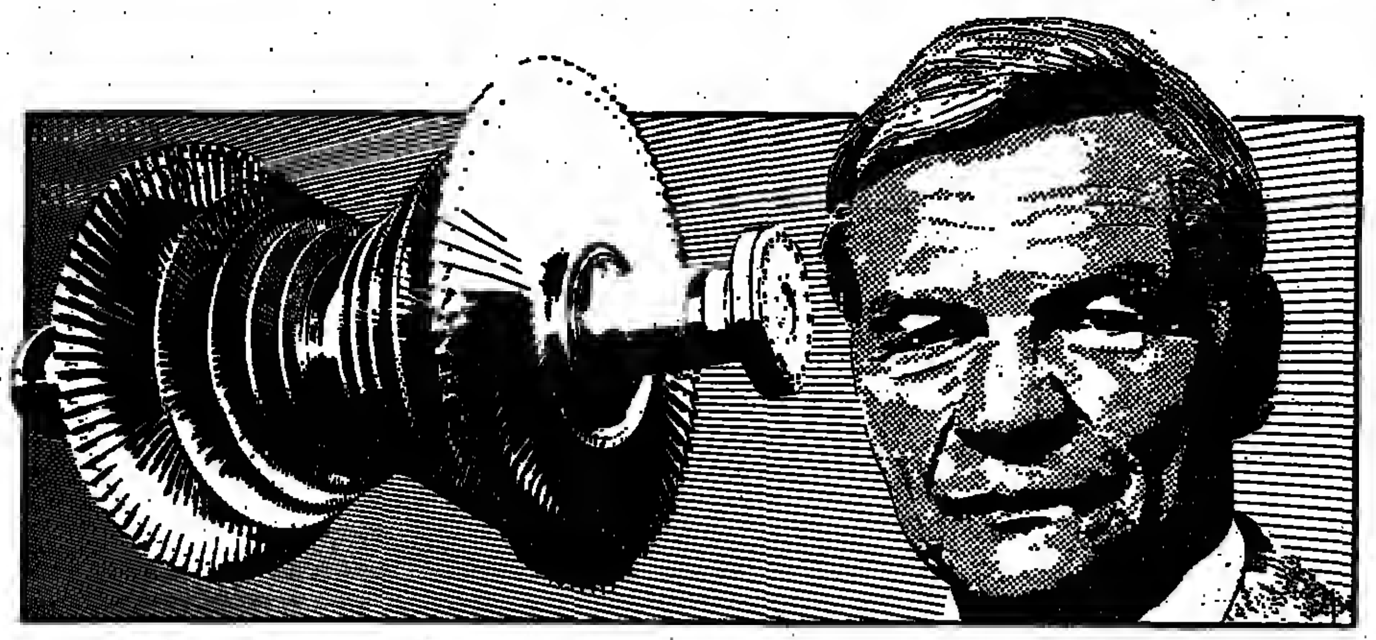
Six of them are in charge of business segments—power generation, power distribution, basic industry and transportation, process engineering and computer science, building services, drives—which will in turn be broken down into 24 product divisions.

The test of the reorganisation will come at this level. "Everything depends on the quality of the divisional managers," *Leutwiler acknowledges.*

He is forthright about what he expects from them. "Our competitors lose money where we are losing (in power generation and distribution) but they make money in other fields. We can afford to go on losing (in those two areas) for some five or six years in order to retain some capacity, but we must have more divisions generating profits and with important shares of total turnover."

High technology products already account for between 16 and 20 per cent of group sales compared with 10 per cent five years ago. Brown Boveri's technical competence is not questioned by its critics but analysts have pinpointed a hesitancy in management to fund promising projects. Leutwiler says this will be remedied. He also envisages buying related technology through acquisitions.

The group possesses technology, cash resources and reputation. Its problem is essentially managerial. The real question is whether one man at the top can change management attitudes and energise a group of 100,000 people.



Turbines and other power plant still account for half Brown Boveri's sales. One of Leutwiler's prime tasks is to diversify.

## 'He is no diplomat'

IT WAS a childhood dream come true for Fritz Leutwiler when he became chairman of Brown Boveri. Leutwiler was born and grew up in Baden, the thermal spa resort where in 1891 Charles Brown, an Englishman, and Walter Boveri, a Bavarian, built a power station and founded a Swiss multinational.

*Leutwiler's father worked* for a small family-owned company in the town; the son was left with a determination never to work for a family concern. After graduating in economics he wanted to go into industry but at that time "Brown Boveri did not know what to do with a macro-economist."

Instead, Leutwiler made a career in central banking which culminated in the presidency of the Swiss National Bank and the chairmanship of the Bank for International Settlements in Basle.

*In these jobs* he became one of the best known figures in the banking world, mainly for his part in helping to resolve the debt crisis among developing countries. Within Switzerland his reputation grew with the success of his anti-inflationary management of the money supply and his trenchantly expressed opinions.

Toughness and bluntness are qualities closely associated with Leutwiler. He is no diplomat and does not suffer fools gladly. His brusqueness sometimes upsets sensitive people but he is loyal towards colleagues who run into trouble through following his instructions.

Leutwiler's forthrightness comes through in his handling of problems: he goes to the nub of an issue instead of beating about the bush. This approach was most visible when as President of the National Bank he had to deal with scandals which could have severely damaged the reputation of Swiss banks. He took a firm moral line which both prevented excesses and protected the basic secrecy provisions of Swiss banking.

When he decided at the age of 60 to retire from the National Bank and the BIS, Leutwiler says he intended to pursue a quieter life. In the light of his boyhood ambitions it is easy to see why he found it difficult to decline the chairmanship of Brown Boveri.



To the Holders of

**A. F. I. Atlantic Financial International N.V.**

Secured Adjustable Rate Notes due 1994

In accordance with the provisions of the Notes, notice is hereby given that for the interest period beginning February 28, 1986 and ending May 29, 1986 the Notes will carry an interest rate of 8.25% per annum. Interest payable per $5,000 principal amount for this interest period is $102.84.

A. F. I. Atlantic Financial International N.V.
By: Paribas Corporation

Date: February 25, 1986

## Company Notices

HOME BREWERY PLC
Cumulative Preference Shares

NOTICE IS HEREBY GIVEN that the Transfer Books of the Company will be closed from 18th March 1986 to 31st March 1986 (both days inclusive) in order that the dividend warrants may be prepared for the half-year ending 31st March 1986.

By Order of the Board
S. DAVYS
Secretary

The Brewery
Daybrook
Nottingham NG5 6BU
27th February 1986

## BASE LENDING RATES

| | | | |
|---|---|---|---|
| ABN Bank | 12½% | Heritable & Gen. Trust | 12½% |
| Allied Dunbar & Co. | 12½% | ■ Hill Samuel | §12½% |
| Allied Irish Bank | 12½% | C. Hoare & Co. | †12½% |
| American Express Bk. | 12½% | Hongkong & Shanghai | 12½% |
| Amro Bank | 12½% | Johnson Matthey Bkrs. | 12½% |
| Henry Ansbacher | 12½% | Knowsley & Co. Ltd. | 13 % |
| Associates Cap. Corp. | 12½% | Lloyds Bank | 12½% |
| Banco de Bilbao | 12½% | Edward Manson & Co. | 13½% |
| Bank Hapoalim | 12½% | Meghraj & Sons Ltd. | 12½% |
| Bank Leumi (UK) | 12½% | Midland Bank | 12½% |
| BCCI | 12½% | ■ Morgan Grenfell | 12½% |
| Bank of Ireland | 12½% | Mount Credit Corp. Ltd. | 12½% |
| Bank of Cyprus | 12½% | National Bk. of Kuwait | 12½% |
| Bank of India | 12½% | National Girobank | 12½% |
| Bank of Scotland | 12½% | National Westminster | 12½% |
| Banque Belge Ltd | 12½% | Northern Bank Ltd. | 12½% |
| Barclays Bank | 12½% | Norwich Gen. Trust | 12½% |
| Beneficial Trust Ltd | 13½% | People's Trust | 13½% |
| Brit. Bank of Mid. East | 12½% | PK Finans. Intl. (UK) | 13½% |
| ■ Brown Shipley | 12½% | Provincial Trust Ltd. | 13½% |
| CL Bank Nederland | 12½% | R. Raphael & Sons | 12½% |
| Canada Permanent | 12½% | Roxburghe Guarantee | 13 % |
| Cayzer Ltd. | 12½% | Royal Bank of Scotland | 12½% |
| Cedar Holdings | 13 % | Royal Trust Co. Canada | 12½% |
| ■ Charterhouse Japhet | 12½% | Standard Chartered | 12½% |
| Citibank NA | 12½% | TCB | 12½% |
| Citibank Savings | ¶12½% | Trustee Savings Bank | 12½% |
| City Merchants Bank | 12½% | United Bank of Kuwait | 12½% |
| Clydesdale Bank | 12½% | United Mizrahi Bank | 12½% |
| C. E. Coates & Co. Ltd. | 13 % | Westpac Banking Corp. | 12½% |
| Comm. Bk. N. East | 12½% | Whiteaway Laidlaw | 13 % |
| Consolidated Credits | 12½% | Yorkshire Bank | 12½% |
| Continental Trust Ltd. | 12½% | | |
| Co-operative Bank | *12½% | | |
| The Cyprus Popular Bk. | 12½% | | |
| Duncan Lawrie | 12½% | | |
| E. T. Trust | 13 % | | |
| Exeter Trust Ltd. | 13 % | | |
| Financial & Gen. Sec. | 12½% | | |
| First Nat. Fin. Corp | 13½% | | |
| First Nat. Sec. Ltd. | 13½% | | |
| ■ Robert Fleming & Co. | 12½% | | |
| Robert Fraser & Ptrs. | 13½% | | |
| Grindlays Bank | ‡12½% | | |
| ■ Guinness Mahon | 12½% | | |
| ■ Hambros Bank | 12½% | | |

■ Members of the Accepting Houses Committee.

* 7-day deposits 8.70%. 1-month 9.60%. Top Tier—£2,500+ at 3 months notice 12.08%. At call when £10,000+ remains deposited.

‡ Call deposits £1,000 and over 9% gross.

¶ Mortgage base rate.

§ Demand dep. 8¾%. Mortgage 13%.

NOTE: The symbol shown against Hill Samuel Base Rate on February 24, 25 and 26 was incorrect.

# THE ARTS

## Architecture/Colin Amery

# The value and stimulus of competitions

It was the competition for the bronze north doors of the Baptistry Florence Cathedral that, in the view of many scholars, launched the Renaissance. This competition was won by Lorenzo Ghiberti in 1402 and his Gothic-framed New Testament scenes were to influence the development of the way artists portrayed their vision. But the competition was equally important for Brunelleschi; one of other losers because from that moment he decided to devote himself to architecture.

This kind of seminal artistic event demonstrates the cultural value of the competition system. It is an event that concentrates creative talents in a way that can provoke both debate and solution. Winners and losers benefit if the competition is well run and public debate is much enhanced.

Last week the Secretary of State for the Environment, Mr Kenneth Baker, presided over the launching of two new publications that are essential reading for anyone commissioning a new building. Both have emerged from beneath the rubble of recent unsuccessful attempts to encourage architectural competitions.

*Architectural Competition Briefing—Guidelines for promoters* is published by the Department of the Environment and *Architectural Competitions RIBA Code of Practice* by the Royal Institute of British Architects.

Both publications, available from the RIBA Bookshop, tel 01-580 5533, are important documents that should help encourage a climate of creative competitiveness.

As Mr Baker said: "In architecture we are, more than in any other form of human endeavour, producing the most public works of art, and often the most enduring. If we betray drabness of spirit and meanness of design, that will be an indictment for us for future generations."

Mr Baker is not the first Secretary of State to give the official imprimatur to the idea of architectural contests. One of his predecessors, Mr Michael Heseltine, applied his particular kind of high octane energy to the idea. He did not think it through. His legacy was the debacle on the Hampton site (now resolved by a more intelligent procedure) and the horror of the Vauxhall Cross venture when the Minister misguidedly used the Special Development Order Parliamentary procedure to promote a competition.

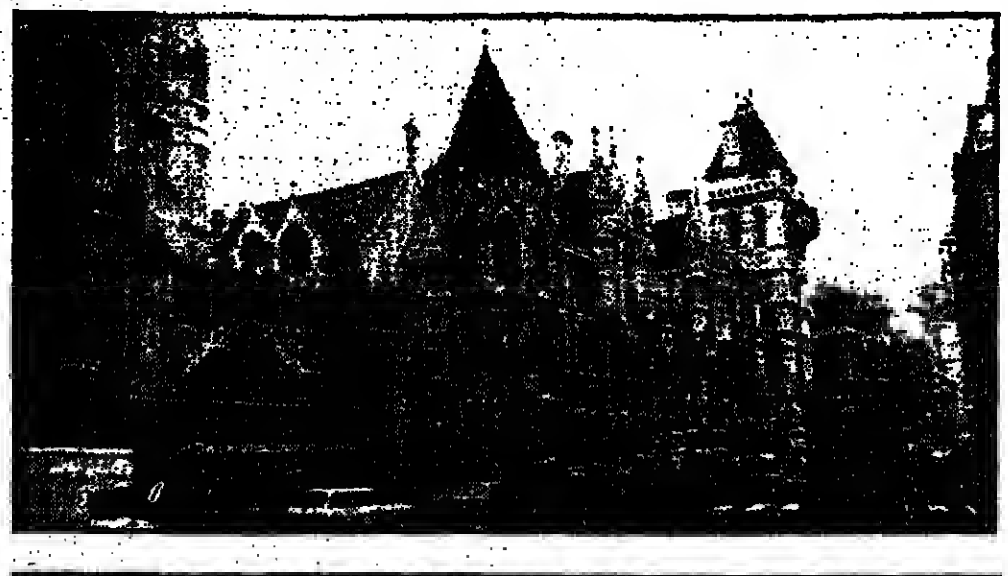
These two new codes of practice are long overdue. They both point out the advantages and disadvantages of the competition system. One thing is clear: any promoter of one needs time. You cannot achieve a good or fair result if you apply the rules of Heseltinian haste. There is also an essential need for discussion between client, architect, judges, and advisers during and after the selection process. With the rise of the architect developer hid in the building and developing world competitions are likely to become more common.

The most important change is the decision by the Department of the Environment to encourage a larger role for the promoters in the selection procedures. A jury can now be composed half of architects and half of promoters who will discuss the entries. The role of the layman in the examination of the design process has at last been recognised.

Clients and developers often want to encourage younger architects or wish to find some new ideas to solve old problems and are uncertain of the best way to proceed. The DoE document has some wise words about the briefing of architects. It cannot be said too often that briefing is an integral part of the design. A good competition or selection process strengthens this dialogue between the architect and the client and will produce the best design. A brief is so much more than a fat document of facts and figures—it is the written version of e shered design process.

In the German Federal Republic it is mandatory for all publicly funded buildings to be subject to the competition process. In the US the competition has made quite an inroad into the corporate business consciousness. In the UK the history of the competition has been decidedly variable. In the 19th century there had been frequent internecine strife over major public competitions. There were rows over the Law Courts, a major battle of the styles over the Foreign Office and dissatisfaction over the results of London's County Hall competition. When Liverpool's Anglican Cathedral contest was won by Giles Gilbert Scott he was only 22 and had only a few examples of his fretwork skills to show the jury. We have forgotten the adventurous designs by Mackintosh and Lethaby that might have been built in Liverpool.

It is timely to add competitions that are well run and totally fair to the enlarged process of public debate about architecture. A return to the competitive stands that produced buildings like the Sydney Opera House and Coventry Cathedral (tha first and last post-modern cathedral) is much needed end *these new rules are* well conceived, to make the system easier to work for both the architect and, most important, the client.



Hugh Routledge

**Competitions produced London's Law Courts and the new Coventry Cathedral but both choices were controversial**

## Across from the Garden of Allah/Comedy

**Michael Coveney**

The trouble with Charles Wood's new comedy at the Comedy is that the play posits a single comic notion and wilts for lack of inspiration and ideas thereafter. It is almost as if this writer is acknowledging the problem by showing a pathetic middle-aged writer, Douglas (Nigel Hawthorne), stuck in a Hollywood hotel (across from the one where Bogey slept) engaged yet again on a new version of his own adaptation of Waugh's *Vile Bodies*.

Douglas has brought with him Barbara, his wife, a woman who hates her life for not being a movie end, in Glenda Jackson's bitingly citrous performance, a woman who hates easily. She plonks herself sourly by the pool inspecting rolls of exposed flesh like reels of imposed flash, a keen monitor of the vulgar, undeniable evidence that beautiful people are inclined, in the mode, to appear otherwise. Douglas himself lollops around a bit in beard, beach shoes and trunks while Barbara hides behind shades and under sensible woollens.

Douglas has made a perfectly good living writing films that are never made, and both he and his wife are 50 years old. Douglas has received champagne and flowers from a mysterious Cynthie, but this triangle is never developed into a trio and the evanescent pleasantries of poolside towel-draped diversions ("I've got an erection, therefore I can't stand up") dissolve into desperate second-act reiterations of an uncreative marriage.

*Douglas is mugged* by kids he assumes to be sired by his employers—he buys them off with money destined for RSC performances with "Derek Whatsit" in *The Tempest*—the couple wave at a Peeping Tom beyond the hedge, and an "English writer of the 60s" ducks down beneath hints of civil unrest and flashing helicopters.

The first act is tolerable because of writing that, compared with what follows, is sharp and amusing. The couple spot vaguely remembered actors from Douglas's films, some of them taller than expected—"They do such wonderful things with height in Hollywood; I hate lifts." The Garden of Allah looms reproachfully across the broadwalk in the images on a hoarding of Monroe, Chaplin, Fields and the rest; urban aggravation is hintad at in a soundtrack crossfade of Lou Reed's "Walk on the Wild Side."

This is where the play spins out of control in spite of the expert comic playing of Jackson and Hawthorne, the careful direction of Ron Daniels and the slick design of Ralph Koltai. There is no depth or consequence written into the relationship and no intellectual invention on the theme of a writer in Tinseltown on the scale of, say, Hampton's elegiac fantasia for Brecht and von Horvath in *Tales from Hollywood*. Charles Wood has been here before, and been funnier, in *Veterans* and *Washington Has Legs*.

The third party, a Mexican hotel porter sleekly embodied by Andy Lucas, winks, sidles around doors and reminds Douglas to insert into *Vile Bodies* a few orgies. The chief memory, however, will be of Koltai's reverse panel setting of posters and grim silhouetted playground exteriors (lighting by David Hersey) inhabited by Miss Jackson's bleak and forlorn widow of the silver tarnished screen.

## Baroque operas/Geneva and Lyons

**Ronald Crichton**

Geneva end Lyons are both among Europe's most successful opera houses. Geneva has the larger, grander house, with a staid, well-dressed well-fed public. The Lyon Opéra is livelier with a more informal, conspicuously younger, uninhibited enthusiastic audience.

The two cities on the now *furiously rushing river Rhone* are near enough for critics normally frustrated by the one-opera-at-a-time system to combine both in *a short visit*. Recently, with Handels' *9riodante* at Geneva and Leclair's *Scylla et Glaucus* at Lyons, they offered an inviting pair of baroqne operas only a decade apart in time but as different as chalk from cheese.

Pier Luigi Pizzi's staging of *Ariodante* in bis own design is an enlargement of one he made for the Piccola Scala at Milan, subsequently brought to the Edinburgh Festival. Pizzi frames the plot's machinations in what be calls "-scenographic geometry,' made from the hases of buge reddish-brown columns wrapped round one another, openiog *to reveal corridors* and palace corners. Scenes flow swiftly but the characters are dwarfed. Visual constipation sets *in well before the end of* a lengthy evening.

Nicholas Kraemer conducted. The Suisse Romande orchestra gave him tidy, respectable playing, yet one had to strain to catch the prodigious variety of Handel's string writing. Little sensuality, less gusto. Three hours of small-scale music-making in e theatre this size is too mnch. Is the plt too deep?

More joy from the stage: as Ariodante, Tatiana Troyanos with her heavy-lidded Tiepolo eyes presented e most elegant travesty-hero. A few rough runs in a fearsome part mattered little. Colour and feeling showed how much Handel opera can still mean to us. In tho stunning "Scherza infida!" some of the singer's expressiveness at last kindled the orchestra.

As the King of Scotland, Stafford Dean sang his larghetto aria in the central act with imaginative stylishness. To the villainous Polinesso James Bowman brought a valuable touch of fantasy. Laurence Dale (Lurcanio) and David Hillman (Odoardo) were the two tenors. The men let us hear the words. ladies were shy. Pizzi sees the heroine Ginevra as distant, haughty, icy cold. Gianna Roldani sang the role with an that for me kills this music stone dead. Danielle Borst (Dalinda) *started* in the *same* way but warmed to her work.

Handel's operatic output was notoriously large. Jean-Marie Leclair, better known for his music for his own instrument, the violin, wrote only one. *Scylla et Glaucus* (Paris, 1746) is not a Handelian *opera serio* but e French *tragédie lyrique*. It lay forgotten, except in books, until John Eliot Gardiner, now musical director at the Lyons [illegible]able, chilly, wordless flaccid opera, gave a concert performance some years ago in St John's, Smith Square, revealing a work of charm and freshness astonishing in a composer with no direct theatre experience. The Lyons cast was different, but the Monteverdi Choir and English Baroque Soloists made *the journey from London*. An Erato recording is promised.

The producer Philippe Lénaël, an expert in baroque theatre, had the courage to adapt its methods to the modern stage. His designer Patrice Bigel gave him a framework of slender side-wings, movable clouds, painted prospects and a flying chariot. The costumes (plumes and all) by Jean-Charles Clair were in scale with the set, as they were not at Geneva.

The effect was like an English Bach Festival Rameau performance with more scenery and greater unity. Dance and gesture (choreography by Catherine Turocy), at first self-consciously mannered, quickly gathered confidence while the eye grew accustomed to the style—it soon seemed the most natural thing in the world. The dancers numbered seven in all—there is really no excuse for neglecting the dance element in modern revivals.

The water-nymph Scylla, in an off-and-on sort of wey, loves the marine god Glaucus. He unwisely consults the sorceress Circe, who fancies him for herself and twice steals him from Scylla. At the end Circe *pretends to* relent but after the lovers' betrothal feast dismisses Glaucus with contempt and turns Scylla into a rock in the *straits between Sicily* and the mainland.

*Tragédies lyriques*, in spite of their name, were expected to end happily. Leclair's violent conclusion caused some disapproval—in fact it comes without an abruptness a little out of key with the general atmosphere of genial accessibility, suggesting a French Cavalli.

Since Scylla is a goose and Glaucus a ninny one's sympathy goes to the wicked Circe, who knows what she wants. This is *a whale of a part, sung and* declaimed with subtle relish by Rachel Yakar, a delightful artist, born like Leclair himself at Lyons.

Howard Crook (Glaucus) is a good high tenor who can declaim clearly as well as negotiate quick bravura—unfortunately mincing high-tenor heroics are not the most appealing feature of the period style. Donna Brown (Scylla) has a small, pure, pretty voice innocent of consonants. French formal recitative with weakly formed words is a pointless exercise.

There was too much under-projected singing—a fault that wants correcting before the opera is recorded. Little needs doing in the case of the soprano (I can't identify her with certainty) to whom fell a ravishing solo with female chorus and lacy violins in the betrothal scene.

No correction at all required for the chorus, which consistently gave the soloists a largely unheeded lesson in clear diction. The English Baroque Soloists produced any amount of vigorous and stylish sound. Once again Mr Gardiner has notably enhanced our operatic lives with an enlightening, keenly enjoyable experience.

## Philharmonia

**Andrew Clements**

A grand, late-romantic symphonic effusion ended the Philharmonia's Festival Hall programme on Thursday, conducted by Esa-Pekka Salonen.

Nlelsen's Fourth is less prolix than Mahler 5, hnt equally *charged with* rbetoric and no less difficult to bring off. Salonen's recording of the symphony has recently been re*leased, to half-hearted approval*; in the concert hall, however, his approach seemed totally convincing, despite its occasional indulgences—*self-conscious* changes of gear in the outer movements, elaboreted expressiveness in the third.

What such inspirational conducting demands as a prerequisite is an orchestra primed to deliver at maximum intensity, end this Salonen obtained unfailingly from the Philharmonia, as secure in the hrass tirades of the first movement as in the woodwind country dance of the second. There had been equal concentration for Ligeti's *Melodien*, a refreshing concert-opener coolly and relexedly played.

In Beethoven's Emperor Concerto, however, both the conductor and the soloist, John Lill—a replacement for the indisposed Alexander Toradze—had settled on a fiercely drilled reading; even Lill's pianissimos had e steely glint. It was executed efficiently on its own terms, but they cast only a very partial light on the concerto as a whole.

## Il trovatore/Covent Garden

**Max Loppert**

No-one can say the working life of a British opera critic is lacking in diversity. On Thursday we were sped up to the exalted heights of Peter Stein's new *Otello* production for Welsh National Opera, a company performance that made opera seem the grandest and most serious of all the arts. The following evening it was back to the realms of opera-as-trivia, and the (sadly) far more familiar gloom induced by a visit to the arid plains of a Royal Opera "Centre of Excellence" repertory revival.

The revival in question was the latest appearance of *Il trovatore* in its elderly but still-handsome Visconti staging—a production now so ruinously ragged, under-rehearsed, and ill-lit (under the supposed supervision of Wilfred Judd) as not to deserve the name at all. Amidst this *Schlamperei* four "names," plus Richard Van Allan's Ferrando, were sent through their disparate paces under the baton of Giuseppe Patanè (who is surely a less pedestrian, lightweight, and slipshod *Trovatore* conductor that he seemed to be on Friday).


Rosalind Plowright

"Every kind of routine is lethal," Peter Stein is quoted as insisting in the *Otello* programme booklet. From this season's shaming run of routine Royal Opera revivals, each one more tired and loosely cast than the last, each one lacking in almost every kind of ensemble purpose, it appears that — in the Stein sense — the house is currently functioning a large part of the time as an operatic mortuary. No singer is able to give very much of his or her best in such circumstances, and so it would perhaps be fairest to spare Friday's principals excessively close criticism.

Yet there were glimmers, even so, of the fine Azucena that Stefania Toczyska (first seen here in the role two seasons ago) has become; she was almost the sole reason for lasting out the two acts I could bear to remain in the theatre. In her first London Leonora, Rosalind Plowright was plainly suffering some form of throat ailment; as we know that her Verdian gifts are considerable, comment must be deferred until full health returns (why no house announcement?).

Franco Bonisolli, returning to the title role, sang a handful of quite personable, easily-turned pbrases, hut wes content for the rest to stick to his well-known impersonation of Italian-tenores-buffoon; Leo Nucci, the new Luna, seems bent on removing every last trace of his youthful promise (remember his fresh, sensitive Miller?), particularly when bellowing his noo-legato way through "Il balen." *Il trovatore* is one of the most elementally thrilling of all operas. For such a presentation of it as the Royal Opera on this occasion provided, "scandalous" is not too extreme a judgment.

## Lunchtime concerts on the South Bank

The South Bank is to run its first series of lunchtime concerts, from March 11 to April 8. Each concert will last about 40 minutes, with seats costing £2, and will take place on Tuesdays at 1.10 pm in the Queen Elizabeth Hall. There is also a lunchtime package, which, for £4.75, e programme, sandwiches and wine come with the ticket.

The programmes will be the last quartets of Beethoven, pleyed by the Allegri String Quartet.

## Saleroom/Antony Thorncroft

# Medals by the ton

No one was more relieved that Ladysmith was relieved than Sir George White who had defended the town for four months against the superior forces of the Boers. For his efforts he got Gibraltar, but in addition to the governorship there he was made a GCMG and a GCVO. There was really little else to give him because Sir George already held individually more decorations than some regiments.

He had won the VC in Afghanistan in the late 1870s and among his many other honours were the OM, the GCB, the GCSI and on and on: not bad for an ensign from Co Antrim. Sir George was 64 when he held Ladysmith, and by the time he died in 1912 he had amassed seven sets of post nominal letters and a Field Marshal baton.

All can now be had for an estimated £50,000-£60,000 at a Sotheby's sale on Thursday of orders, medals and decorations. It is the largest the auction house has held and one of the best. Also on offer are a Distinguished Conduct Medal gained by "Butcher" Jack of the 17th Lancers for his courage during the Charge of the Light Brigade (he was drunk at the time), and an Indian Mutiny VC awarded to one of the "Bluejackets" who relieved Lucknow. It carries a top estimate of £10,000.

One rather odd group of awards relates to the Soviet Union. The Order of Lenin is available for around £650, and the Order of the Patriotic War could be picked up for £200. In contrast the Purple Heart, along with other gallantry medals, given to war correspondent Alexander MeeGowan, late of the "Star," could make £1,200. He received it for gallantry during the Normandy landings.

Christie's has split its modern British pictures department into two—one section handling the more traditional paintings of the last century, the other the avant garde. Among the more conventional on Thursday is *The Nottingham Boat Club*, painted in 1894 by Arthur Spooner. It was commissioned by the founders, who had broken away from the Nottingham Rowing Club in rebellion against a rule banning Sunday rowing.

The club expects to receive over £30,000 from the painting. Harold Harvey has been attracting very high prices in recent months, and two of his Newlyn works, *The Household* and *Bringing in the Washing*, should approach £30,000 each.

Among the many small porcelain factories which sprang up in Germany in the late 18th century was that of Fulde. Its lifespan was brief—from 1765 to 1790. *Today Christie's* is offering the largest single collection of Fulda-ware outside West Germany. The highest price should be paid for a figure—of Scaramouche, which carries an estimate of £15,000-£20,000. Made around 1770 it seems to be unrecorded in the literature and sales of Fulda.

Sotheby's will hope to top this price *tomorrow* when in its continental pottery and porcelain auction it offers an early 15th century Florentine albarello with a £25,000-£35,000 estimate.

Among the Japanese works of art at Christie's *tomorrow* is the Samurai sword bought by Carl Palmer of the pop group Emerson, Lake, and Palmer when he was in Japan studying the martial arts. It was made about 1668 by Yukihoro end could make £20,000.

# Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Feb 28-Mar 6

## Music

**ITALY**

**Milan:** Teatro alla Scala: A recital by mezzosoprano Tatiana Troyanos accompanied by Thomas Schuback (Mon). (809126).

**Rome:** Auditorium in Via della Conciliazione: Giuseppe Sinopoli conducting three Symphonic Poems by Respighi. (Sun, Mon, Tue). (654 1044). Also at Oratorio del Gonfalone: Vicolo della Scimia 1/B – Via Giulia: 'Cellist Francesco Vignanelli and pianist Hartmut Leistritz playing Debussy, Beethoven, Schumann and Brahms. (Thur). (665952).

**BRUSSELS**

**Conservatoire Royale** Lieder Recital by Luigi Alva with Carlos Rivera, piano: Scarlatti, Schubert, Mozart (Thur). (511 0427).

**LONDON**

**English Chamber Orchestra,** Eduardo Mata, conductor; John Lill, piano: Gluck, Brahms, Mussorgsky arr. Ravel. Barbican Hall (Wed). (638 889t).

**Cleveland Quartet:** Beethoven, Bartok, Borodin. Queen Elizabeth Hall (Tue). (928 319t).

**Pavarotti Master Class:** Barbican Hall (Tue). (638 8891).

**London Mozart Players,** Jane Glover, conductor; Eugene Sarbu, violin: Haydn, Mendelssohn, Rossini, Mozart. Royal Festival Hall (Wed). (928 319t).

**London Sinfonietta with BBC Singers,** Esa-Pekka Salonen, conductor; Paul Crossley, piano; Tristan Murail ondes martenot: Tristan Murail (British premiere), Messiaen, Robert Saxton (premiere), Dallapiccola. Queen Elizabeth Hall (Wed). (928 3191).

**Royal Philharmonic Orchestra,** Laszlo Heltay, conductor; Miriam Bowen, soprano; Stephen Roberts, baritone; John Birch, organ: Haydn, Brahms. Royal Festival Hall (Thur). (928 3191).

**London Concert Orchestra,** Christopher Adey, conductor; Malcolm Binns, piano: Tchaikovsky, Grieg, Lehar, Borodin. Barbican Hall (Thur). (638 8891).

**PARIS**

**Orchestre Colonne,** conducted by Claude Bardon with Claude Helffer: Haydn, Ravel, Stravinsky (Mon). Salle Pleyel (4561 0630).

**Dame Janet Baker** recital. Theatre de l'Athenee (Mon). (4742 6727).

**Orchestre de l'Ile-de-France** conducted by Vladimir Fedoseiev with Ivry Gitlis: Rimski-Korsakov, Sibelius, Stravinsky (Tue). Salle Pleyel (4561 0630).

**Orchestre de Paris,** conducted by Georges Pretre, François-Joël Thiollier, piano: Ravel, Faure, Stravinsky, Mussorgsky (Wed, Thur). Salle Pleyel (4561 0630).

**SPAIN**

**Madrid:** Midday concert by cellist Elena Mihalache and pianist Lidia Guerberof of music by Chopin and Debussy (Mon). Mozart Cycle, with Argentinian group Trio Mompou. Fundacion Juan March (Mon). Castello 77. (435 4240).

**Barcelona,** IX week religious music begins Mar 6 with London group Pro Cantione Antiqua conducted by Mark Brown with music by Byrd, Palestrina, Victoria, Navarro, Händel, Morley, Cardoso, etc. Concerts will be held at Church Sta Maria de Jesus de Gracia, Gracia 3. (301 1104).

**NETHERLANDS**

**Amsterdam,** Concertgebouw: Hubert Soudant conducting the Netherlands Philharmonic, with Ronald Brautigam, piano: Chopin, Bruckner (Mon). (71 8345).

**Rotterdam,** De Doelen. Recital Hall: Rotterdam Philharmonic Chamber Ensemble: Schubert (Wed). (142911).

**NEW YORK**

**Carnegie Hall:** Yale Symphony, Leif Bjaland conducting. Hindemith, Busoni, Schreker, Shostakovich (Mon); Oratorio Society of New York. Lyndon Woodside conducting. Mozart, Britten, Copland (Tue); Vienna Chamber Orchestra, Philippe Entremont conductor and piano. Eder, Mozart, Dvorak (Wed); Star-Scope Singers, Kenneth G. Mills conducting. Dedrick/Mills: Fire Mass (New York premiere). (Thur). (247 7459).

**WASHINGTON**

**National Symphony** (Concert Hall): Serge Baudo conducting. Phyllis Bryn-Julson soprano. Bizet, Ravel, Franck (Tue). Kennedy Center (254 3776).

**CHICAGO**

**Chicago Symphony** (Orchestra Hall): Daniel Barenboim conductor and piano. Mozart and Tchaikovsky (Tue); Beethoven, Schubert, Stravinsky (Thur). (435 8122).

FINANCIAL TIMES
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Monday March 3 1986

# The Swedish example

THE GREATEST tribute that can be paid to Mr Olof Palme, the Swedish Prime Minister who was assassinated on Friday night, is that Sweden—Swedish democracy— will go on without him.

Other assassinations in recent years at least had the semblance of an explanation. The murder of President Kennedy in the United States could be partly attributed to an underlying violence and readiness to resort to the gun in American society. The killings of Aldo Moro in Italy and Indira Gandhi in India had some political motive, however depraved, behind them. If Mrs Thatcher had been destroyed by the Brighton bomb in 1984, we should have known broadly who did it, and why.

Mr Palme's case was quite different. He lived in one of those rare democracies where it was possible for the Prime Minister to go to the cinema with his wife in the evening and expect to be able to walk home unescorted and unmolested. It would be unthinkable in London or Paris. That is praise for Sweden, even though last Friday the calculation was fatal.

### Controversial

Mr Palme had long been a controversial figure, both at home and abroad. In Sweden he was sometimes held to have given too much attention to international affairs, to have taken more interest in the third than the Nordic world, and economically to have leaned excessively on the redistribution of wealth rather than its creation.

Abroad, rather like Mr Pierre Trudeau when he was Prime Minister of Canada, he seemed at times too good to be true. He appeared to moralise about the affairs of other countries from the luxury of his own. And Sweden, like Canada, was a suitable place from which to do it: economically successful, with a relatively small population, and on the fringe of greater estates. Yet Mr Palme was also a survivor. After his Social Democratic Party, which has ruled Sweden for most of this century, lost power in 1976, he came back again as Prime Minister in 1982. The centre and right parties which tried to govern in the interim had shown that they had nothing effectively to put in social democracy's place. He was only 59 when he was killed.

The tributes that have been made to him over the weekend have been manifold: from the Swedish people, the rest of democratic Europe, from the eastern bloc and from the third world. The passing of no other prime minister would be quite so universally mourned. That suggests that there is more to it than personal grief. It is an acknowledgement of the Swedish role in international and political affairs. Mr Palme may have been a supreme practitioner of it and at times his airs of self-complacency and superiority were infuriating.

### Resilience

But it cannot have been only the quality of the man. It was also the nature of the country. Sweden is officially neutral on defence, though it spends heavily, takes its Nordic responsibilities seriously, and is in effect neutral on the western side. Its contributions to such international fora as the Conference on Security and Disarmament in Europe have been invaluable. Where the country scores almost every time is that it continues to look after its own affairs, as well as looking abroad, with a degree of success.

There are powerful Swedish multinational companies who can compete with the best. If their businesses go wrong, they are revamped and the country has been moving from an industry governed by an elite towards wider participation. There appears to be an ever-present readiness to re-examine old certainties, and nowhere more so than in the evolving nature of social democracy.

Few other countries have such resilience. Shipbuilding has been allowed to go down rather than be indefinitely subsidised and there were signs before his death that Mr Palme had recognised that the shift in the balance of power towards the corporate state had gone too far.

Above all, Sweden has remained a democracy where it seemed natural for the Prime Minister to walk to the cinema without an escort. We hope that nothing much will change because of one tragic aberration.

# Brazil faces up to inflation

BRAZIL'S creditors will wish President Jose Sarney well in his struggle against hyper-inflation. If Friday's measures —a new currency, a price freeze and partial de-indexation —fail to bring inflation under control, the prospects of eventual repayment of an external debt of $104bn will recede still further. The anti-inflation policy, which bears a striking resemblance to the approach taken by Argentina last year, however, is far from a sufficient response to Brazil's economic problems. In the longer term, a rapprochement with the International Monetary Fund will probably be essential although this appears ruled out by domestic political considerations at least until November's congressional elections.

In the meantime, it is hard not to feel sympathy for Mr Sarney, a comparatively inexperienced politician thrust into power last year, following the tragic death of President-elect Tancredo Neves. The President is negotiating a delicate transition from military to democratic rule against a background of domestic political and labour unrest. Servicing Brazil's huge external debt is a formidable constraint for a government that is also attempting to tackle great domestic poverty and inequality.

Last year, Mr Sarney seemed almost uncannily successful. The economy grew at more than 8 per cent, a rate unheard of since the late 1970s. The growth, combined with tight import controls, generated a trade surplus of $12.4bn, more than sufficient to service the debt. Links with the IMF were severed and its austerity measures declared inappropriate: the Sarney government declared that Brazil could grow its way out of trouble.

The robust economic performance enabled Brazil to persuade commercial banks, despite the IMF's absence, to negotiate the rescheduling of debt falling due in 1985 and 1986. The talks now appear to be complete—the final stumbling block having been the interest rate Brazil should pay on the rescheduled debt. Principal maturing this year is to be rolled forward to March, 1987. The question is whether the domestic problems, principally inflation, can be solved within this breathing space.

If Argentina's experience is any guide, the price freeze and de-indexation—assuming it can be made to stick—should sharply reduce inflation in the short run. The prognosis, however, is not entirely encouraging: only a few months ago the Sarney government was arguing that, in the aftermath of military rule, the country's institutions were too weak to withstand the shock of de-indexation. Much will depend on the public's response: the measures have been consciously slanted in favour of ordinary workers and against rentiers, financiers and business.

Price freezes and de-indexation can halt the momentum of inflation by altering expectations but they do not strike at the roots. Very high inflation almost always acts as an impersonal and hidden tax that allows a government to gain command of substantial resources; very often the same transfer of resources could not, for political reasons, be achieved through open taxation. It remains to be seen whether Mr Sarney can both reduce inflation and acquire the resources to service Brazil's debts.

### Investment

As the Sarney government has argued, rapid economic growth is desirable if Brazil is both to meet its international obligations and keep the lid on domestic unrest. But the growth needs to be investment-led and not, as in 1984 and 1985, on the back of a consumer boom. The trouble is that if Brazil tries to import capital goods on the required scale, its trade surplus may vanish and creditors might not even get their interest. A developing country like Brazil cannot achieve sustained growth so long as it has to transfer some 4-5 per cent of GDP abroad each year to meet debt obligations. Development occurs when the capital transfers flow the other way.

Brazil's struggles with inflation, debt and domestic poverty are mirrored throughout Latin America, which in total owes more than $350bn. The region's stability depends on sensible internal policies but also on attitudes in the International financial community. The crisis in both Brazil and Mexico underlines the urgent need to provide debtors with longer-term, structural support. The onus is on the industrialised world to ensure that initiatives such as the Baker plan do not remain simply good ideas.

SWEDEN AFTER PALME

# The end of an age of innocence

By Kevin Done in Stockholm

IN THE COLD, grey light of Sunday small groups still gathered, silent and disbelieving, on the street corner where Olof Palme, the Swedish Prime Minister, was murdered shortly before midnight on Friday. He had no bodyguards. Why should he? He was taking the short walk home with his wife Lisbeth from a visit to the cinema. Political leaders are not murdered on the open street, not on Sweden, not in Stockholm.

"I have read in the papers about Kennedy and others, but in Sweden . . . ." said the stunned, disbelieving taxi driver who heard from his cab the sound of the shot that killed Mr Palme. Another reaction came from Bjorn Rosengren, a trade union leader, who met the Palmes by chance at the cinema on Friday night. "I said to my wife on the way home, 'It is a fantastic country when the Prime Minister can walk freely like any other citizen'."

The blood stains on the ice-encrusted pavement outside the entrance to an underground station had quickly been covered during the weekend with a thickening carpet of flowers, most of them red roses, the flower Olof Palme had carried for decades at political rallies the length and breadth of Sweden.

**The assassination on Friday night leaves an enormous vacuum in Swedish politics**

Swedes are not the first to make a public show of emotion. But on Saturday as the news spread that Mr Palme had been assassinated it was as if people felt compelled to come out on to the streets, to share their grief, sorrow and confusion with others, often to cry, openly, unashamedly.

As an international statesman it was Olof Palme's championing of the rights of the Third World, his campaigning for disarmament and peace that set him apart. One message at the spot where he was murdered reads simply in Spanish: "Our Dove of Peace has died, Palme, —from— our— heart." Another: "Chile's refugees love you."

Life in Sweden can hardly be the same. It is the end of an age of innocence. The country has prided itself on being an open society, its political leaders have been easily available and accessible. Mr Palme himself might have been accused in recent years of becoming remote, of adopting a presidential style, of exercising an oppressive dominance over his government. But they are accusations which can only be understood in tha special circumstances of Scandinavia.

In Sweden — until Friday night at least—public figures have been able to live a fairly normal private life. In recent years the visits of prominent foreign leaders have provided a stark contrast with the heavily armoured cars, the endless security checks, and the suffocating presence of secret service men accompanying the likes of US vice-president George Bush, US Secretary of State George Shultz, or the then Soviet Foreign Minister Andrei Gromyko.

It has been a relief to get back to Swedish normality after their departure. "Many of us have been threatened, but we never took it seriously," said Mr Sten Andersson, the Swedish Foreign Minister, at the weekend in the immediate aftermath of Mr Palme's murder.

Mr Palme's death leaves an enormous vacuum in Swedish politics: The Social Democratic Party leadership has rallied quickly behind Mr Ingvar Carlsson, the deputy Prime Minister and one of Mr Palme's closest colleagues, in an impressive show of unity and it was already clear by Saturday night that Mr Carlsson would take over both as Prime Minister and Chairman of the party. But Sweden will be a greyer place without Mr Palme.

He has not always been loved. He aroused strong emotions in both his admirers and his political detractors. He possessed an uncanny instinct for getting under the skin of his opponents, for riling them with a withering sarcasm. But he also possessed a warmth, in private and a mischievous sense of humour in public, which could prove totally disarming.

In latter years peering out under bushy eyebrows, half-rimmed spectacles perched on a hooked nose, he still maintained a boyish grin that challenged his listeners to debate.

Against the colourless background of the Scandinavian political stage Mr Palme shone the more brightly. He was unrivalled as a rabble-rousing orator. In last year's general election campaign it was above all Mr Palme's drive and energy that pulled the Social Democrats off the ropes and gained them another three years in office.

The Social Democrats' campaign was in essence defensive. It was a call to the barricades to defend the welfare state and the status quo so painstakingly established during the last half century—from what Mr Palme bitingly called the cold winds of "aggressive egotistical neo-liberalism." His talent lay in his ability to make it appear as if it was the Social Democrats who were on the offensive. He was able to identify the enemy without and keep together the disparate elements of the Swedish Labour movement by giving them a common target.

The Social Democrats have made the modern Sweden. In a way unprecedented for, a western democracy they have held office for 46 of tha last 54 years. The party has been accustomed to continuity. Mr Palme was only the party's fourth leader since it was founded in 1889. Following in the line of Hjalmar Branting, Per Albin Hansson and Tage Erlander, he took over as party chairman in 1969 and has been Prime Minister for 11 of the last 17 years.

Olof Palme: international statesmanship set him apart

It was already clear at the weekend that now the party has been robbed of that unifying force, the main task facing Mr Ingvar Carlsson will be to hold it together. Mr Sten Andersson, for 20 years Secretary of the Social Democrats, and now foreign minister, said Mr Carlsson had been chosen by the party executive as the new leader "because of his ability to see how to go forward and keep the party unified even on controversial questions."

Mr Palme managed to keep the party together through difficult years in the 1970s, when the Social Democrats—unprecedentedly—were twice defeated in general elections. "He was like a sheepdog," says one senior official in the administration, "Whenever part of the flock threatened to break away, he was there to keep them in line."

Mr Stig Malm, a member of the party executive but most importantly head of Lo, tha powerful hlne collar workers trade union confederation, who has often been at the head of some of the most fractious elements in the party, pointed out that Mr Palma "had the ability to hold together the Swedish Labour movement. I think Ingvar too has these qualities."

*Social Democratic in-fighting* (the so-called War of the Roses) has inevitably been dominated by economic issues in recent years iwth the room for social reform drastically reduced hy a failing economy that has laboured under recession, heavy debts and severe structural imbalances. With the introduction of another tight hudget in January and repeated urgings to the trades unions to show restraint in the current wage round the Government has again started to meet fierce resistance from the grass-roots of the Labour movement.

A rash of shop-floor protests across the country in the wake of the hudget have seriously worrie dthe party leadership. Only three weeks ago Mr Palme led more than half his cabinet out on the campaign trail again with a series of party meetings up and down the country aimed at heading off tho criticism—some minor elements on the left-wing had even called for his removal as party leader—and at channelling it into a commitment to fight for a new programme in the 1988 election.

Lacking the funds for expensive new reforms—the Swedish state is already heavily in debt and taxation is already higher than in any other country in the industrialised world—the Social Democrats have chosen to start the road to the next party congress in 1987 with the slogan "an offensive for justice." The party has heen trying to direct grass-roots frustration against some of the duhious business ethics and the inflated personal gains shown in some recent Stock Exchange deals and scandals. Having repeatedly denied any such intention, Mr Palme last week bowed to union demands and allowed a doubling of turnover taxation on share dealing.

Under Mr Palme the Social Democrats hava proved a formidable party machine and the path to the next election in September 1988 had already been mapped ont. The new campaign was launched in early February with the ringing declaration, "Social Democracy is an opposition movement against injustices and lack of freedom." It is the sort of slogan that, comhined with Mr Palme's compelling rhetoric, would have proved a powerful weapon in the 1988 election campaign.

Suddenly in the wake of Olof Palme's assassination it is now Ingvar Carlsson, who is charged with carrying the Social Democratic torch. The 52-year-old deputy Prime Minister has worked closely with Mr Palme since the late 1950s and in several ways his career in politics has followed a similar track. He was Chairman of the Social Democratic Youth League, while Mr Palme was chairman of the Swedish Students Union, Both worked as young men in the Cabinet office of Mr Tage Erlander, and both later held the post of Education Minister.

The comparison cannot be taken too far, however. Whereas Mr Palme has self-confidently held the centre of the stage, Mr Carlsson has preferred more to work behind the scenes in a role as one of the party's most important strategists and ideologists. His appearances in the public spotlight have paled beside the heavy presence of Mr Palme and he has yet to prove that he can begin to match Mr Palme's charismatic ability to galvanise the Swedish Labour Movement.

It appears inevitable that the style of a Carlsson government will be very different to that of Mr Palme's administration, with other leading ministers such as Mr Kjell-Olof Feldt, the Finance Minister, and Mr Sten Andersson, the Foreign Minister, asuming wider responsibilities.

Olof Palme was passionately interested in international affairs in his student days, and it was a passion that never left him. In the ringing personal tributes from a long series of leaders from Africa, Latin America and Asia over the weekend it is clear that the Third World feels it has lost one of its most important spokesmen in the West.

At the end of the 1960s Olof Palme repeatedly earned the wrath of the United States as he played a significant role in radicalising international opinion against the Vietnam War. In 1968 as a Swedish cabinet minister he marched at the head of a torchlight procession through Stockholm at the side of Hanoi's ambassador to Moscow. At Christmas 1972 Washington withdrew its ambassador from Stockholm when Mr Palme, by then Prime Minister, described the US bombing of Hanoi in a catalogue of the worst war crimes of history alongside atrocities such as Guernica, Treblinka and Sharpeville.

During the 1970s Mr Palme suddenly turned up at the side of Yassir Arafat in Algeria; a year later he was sharing a platform with Fidel Castro in Cuba. He has steadfastly maintained substantial Swedish development aid to Vietnam, and has been a vigorous supporter of the new regime in Nicaragua. He appeared as at home standing beside Daniel Ortega addressing in Spanish the massed crowds in Managua as he was at the final election rally in Gothenhurg last September.

**Mr Carlsson has yet to prove that he can match Olof Palme's charisma**

With his commitment to causes in foreign fields Mr Palme—and through him Sweden—has often appeared to be tilting at windmills. He saw things very differently, however. It was his view that only a minority of countries possess nuclear weapons hut a majority of people in the world would perish if they were ever unleashed. Small countries therefore have a right and a duty to stand up and be counted.

One of Mr Palme's closest friends in international politics was Mr Willy Brandt, the former West German chancellor and Chairman of the West German Social Democrats. "Heads of Government can be replaced," he said at the weekend, having learned of the assassination of his friend. "There are individuals who are talented and effective hnt who are still not indispensahle. But Olof Palme's combination of intelligence, strength and humanity was unique and we will come to realise that when we start to look for a successor."

# Men and Matters

## Weill puts pressure on

Ever since Saul Steinberg, the controversial New York financier, tried and failed to win control of Chemical Bank in 1969, major US banks have been considered off limits for the corporate raiders.

But later *today*, the board of Bank of America, the second biggest US hank, will sit down in San Francisco to consider a highly unusual offer under which Sandy Weill, 52, ex-president of American Express, has promised to find $1bn of new capital in return for being given Sam Armacost's joh as chief executive of the troubled bank.

Rival commercial bankers find it difficult to take Weill's proposal seriously. But Wall Street is not prepared to write it off. "There is blood in the water," says one investment banker who has watched the bank's share price rise over the past three weeks. Since word spread of Weill's offer, the group's stock market value has risen by close to $900m.

Weill has not been returning calls to bis small office in Manhattan's Park Avenue, but he appears to be assembling an impressive group of advisers, including Morgan Stanley, and his old firm of Shearson Lehman, which has promised to raise the $1bn. Wall Street does not believe he will be as easily rebuffed as Steinberg.

Steinberg's bid to win control of Chemical Bank, at the tender age of 29, foundered because he was branded an outcast by the East Coast banking establishment. "I always knew there was an Establishment, I just thought I was part of it," he said dejectedly after the event.

Weill, a "street smart" Brooklyn-born trader, could face similar problems. But he has prepared *his* ground better than Steinberg.

Aside from his track record in building Shearson Loeb Rhoades, Weill can count on more support in the California business community than might at first sight seem apparent. His feat in turning round Fireman's Fund won him considerable respect.

One associate describes Weill as "an obsessively brilliant networker" who has carefully cultivated his West Coast contacts.

Bank of America's directors are wel laware, too, that the group's share price could collapse if they rebuff Weill yet again. The pressure is on Sam Armacost to prove that he can do more for shareholders than Weill.

## Bridge the gap

Some of Sir Nigel Broackes's friends may be politicians but the Trafalgar House chairman seems to have become somewhat disenchanted with politics.

In the BBC Radio programme, View at the Top—a series of interviews with top executives — on Saturday, Broackes claimed credit for putting the Channel Tunnel "on the political agenda."

Civil servants had been lukewarm about the idea until he rallied sympathetic ministers to the cause, he said. Employment Secretary Lord Young, had been a particularly strong ally.

But having swung the Government round to his view in late 1984, Broackes then had to look on while it chose the opposition CTG's rail-only proposal instead of his own rail, road and bridge scheme.

That wasn't all, Broackes complained. "Muddle and indecisiveness in the Government" was hindering support for British contractors overseas, be said, pointing to the Bosporus Bridge contract where Trafalgar House was on the losing end.

Relations between Government and industry had appeared to be improving while Norman Tebbit occupied the Trade and Industry Department. But then Leon Brittan had not stayed long enough to make a contribution; and though Paul Channon was "a very nice man, I don't think his talents lie in this direction."

Broackes said he, himself, had "no political mission whatsoever"—but if Trafalgar loses in its bid for Vickers, it would be no surprise if be were to find one.

"I don't know what the Militant Tendency are moaning about—they should try being a Young Conservative here"

## Council office

"A cast iron constitution and a strong stomach are essential to survive punishing overseas travel." But those qualities, demanded for a job coming on the market soon, may be nothing compared to what the successful applicant will need before he/she ever boards an aircraft.

Yes, the British Council has *started* a search for a new director-general to replace Vienna-born Sir John Burgh who is retiring next year after six years in the post.

Under constant siege by critics, the Council states frankly: "The challenge begins at home in trying to win recognition for tha relevance of cultural diplomacy to Britain's influence and prosperity both now and in the future."

The director-general needs to be a fluent communicator, says the Council, to win the confidence of Government, academics, industry, the arts and last, hut by no means least, the media.

Only then will Burgh's successor be allowed to get down to the task of managing an international organisation—promoting educational, cultural and technical links between Britain and 82 countries—with a staff of 4,200 and an annual hudget (at present) of £200m.

Advertisements for the £55,000-a-year joh will appear in the national newspapers soon. But the Council's board, under Inchcape's chairman, Sir David Orr, expects to take at least six of the 16 months or so before Burgh departs to find tha right person. No announcement is likely before autumn.

## Service call

Tbe Japanese passion for high quality customer service is well known. But even the most jaded Tokyo resident is still sometimes surprised to discover the lengths to which a business will go to please its customers.

One night last week, a Tokyo-hased businessman received a phone call at bome at about 7.30 pm. The call was from a clerk at a local Mitsubishi bank. The clerk explained in hesitant English that the customer, who had changed a traveller's cheque earlier in the day, had forgotten some of his cash.

The amount. Three yen. Even at today's exchange rate that is worth less than 2p. A phone call in Japan, by the way, costs Y10.

## Trojan horse

An unexpected hiccup for the National Coal Board's campaign to portray coal as "the fuel of the future."

The Easington Colliery Officials Club, in the heart of the Durham coalfield is thinking of replecing its solid fuel boilers with oil-fired central heating.

The caretaker confides that the anthracite boilers are "dirty, filthy and inefficient" and that there is "less work with oil."

**Observer**

FOREIGN AFFAIRS

# The medium and the message

By Ian Davidson

Mr Gorbachev at the end of his opening speech at the party congress last Tuesday

NOT everybody has read the entire text of Mr Mikhail Gorbachev's marathon speech to the Soviet party congress last week, and no wonder: at a rough count it runs to about 45,000 words. Fewer still will have known quite what to make of it, and again, no wonder: the language is often so heavily coded in convoluted SovSpeak, that only the initiated at the Congress will have taken away a clear idea of the message.

Even they may have had some difficulty. Contradictory meanings can be drawn from the text, to the point where one may legitimately wonder if it is not the conflation of two opposing schools of thought.

Take the long sections dealing with economics. Most commentators have focused on Mr Gorbachev's denunciations of economic inefficiency and his references to essential reforms: the shift of emphasis from quantity of production to *quality of output, the shift* of executive responsibility from central planners to individual enterprises.

But others have been struck by the sketchiness of the prescriptions for reform, and have speculated that the new leadership is really aiming less at radical changes in the basic mechanisms of the economic system, than at a leaner, more disciplined, more dynamic, and slightly more modern application of the unwieldy apparatus.

The ambiguity may not be entirely accidental. When I was in Moscow three months ago, the Economics Institute treated me and two colleagues to a long and enthusiastic account of economic reform experiments which had been successfully conducted on a selective basis in various parts of the Soviet Union, and which would be generalised throughout the economy in the next couple of years.

One of the problems of the Soviet Union is a labour shortage; but under the received rules, an increase in planned production by a factory automatically leads to an increase in its labour force entitlement. In the new experiment, the factory would get the money for *extra labour, but the existing* labour force would, in effect, be able to choose between the hiring of more workers, or the sharing out of the extra wage packets.

This innovation apparently had a wonderful effect on productivity; but none on the quality of goods produced which, I was led to infer, too often remained abysmal. So in future the bureaucracy will impose two new quality standards—first class and world class—and companies which fail in a short time to meet the world class quality standard will have to go out of production.

Could things really pan out like this, or is it just a fairy tale? The imposition of new quality standards by administrative fiat looks like a way of preserving the power of the bureaucracy, by erecting a fall-back bureaucratic obstacle in the path of the ultimate verdict of the market place. But if Soviet factories are in future to be forced to manufacture for consumers and not for the warehouse, as Mr Gorbachev vigorously implied, that verdict and the price/quality trade-off, cannot indefinitely be denied.

But the consequences would be a vast shift of economic power to the market place and away from the bureaucracy, to consumers and away from the apparatchiks responsible for production. Is such a shift compatible with Soviet Communism.

The fuzziness of Mr Gorbachev's prescriptions last week may be explained partly by his personal preferences, partly by the occasion. By all accounts, he is resolutely opposed to siren voices recommending a Soviet imitation of the economic liberalisations introduced in Hungary: reform must not mean any departure from socialism. In any case, a party congress would not be the right audience for anything which could be construed as a lapse from sound Marxist-Leninist doxology, and his speech was dutifully sprayed with quotations from the prophets. So it is perhaps not surprising that he was more eloquent in his reprimands for the shortcomings and inefficiencies of the existing system, than precise in his prescriptions for reform. We shall just have to wait and see what happens.

A similar patience will be required to fathom the true meaning of those parts of his speech which dealt with foreign policy.

I will waste no space on the *denunciations: they are too drearily predictable.* But have a look at some of the more conciliatory passages.

"(This) is a world full of hope. . . . But it is also a world overloaded with dangers and contradictions, prompting the thought that perhaps this is the most alarming period of history."

"The course of history requires ever more insistently that there should be constructive and creative interaction between states and peoples on the scale of the entire world. . . . Such interaction is essential in order to prevent nuclear catastrophe, in order that civilisation should survive.

"The prevailing dialectics of present-day development consists in a combination of competition and confrontation between the two systems and in a growing tendency towards interdependence of the countries of the world community. This is precisely the way, through the struggle of opposites, through arduous effort, groping in the dark to some extent, as it were, that the controversial but interdependent and in many ways integral *world is taking shape.*"

Or again:

"To ensure security is increasingly seen as a political problem, and it can only be resolved by political means. . . . Needless to say, we attach considerable significance to the state and character of the relations between the Soviet Union and the USA. Our countries have quite a few points of coincidence, and there is the objective need to live in peace with each other, to co-operate on a basis of equality and mutual benefit. . . . The objective—I emphasise, objective—conditions have taken shape in which confrontation between capitalism and socialism can proceed only and exclusively in forms of peaceful competition and peaceful contest."

Obviously, we cannot take all this peace-talk on trust, because we have heard this kind of thing before, with self-righteous variations. But a few points strike me. The first is the total absence from the speech of any threat that, if the Americans repudiate his vision of peaceful coexistence, the Soviet Union has an alternative, confrontational policy to fall back upon.

The second thing that strikes me is his use of the phrase quoted above: "groping in the dark to some extent, as it were." The history of the post-war world has been a history of extreme certainty in Washington and Moscow about the right way to handle the confrontation with the other superpower. The trouble is that the certainty has changed every few years; in reality they have been, and are still, groping in the dark. To recognise uncertainty is not to solve the problem; but to acknowledge uncertainty may be a hint of future flexibility.

The third point is Mr Gorbachev's description of the international situation as "alarming." Needless to say, he blames the Americans, but he seems to pin his alarm mainly on the very process of the arms race. A Soviet leader who proclaims his anxiety may be advertising to his own people the need to move from rhetoric to compromise.

Some people, including the folks in the White House, seem to think that Mr Gorbachev roundly rejected President Reagan's counter-proposals for a deal on the elimination of Euro-missiles, and made the holding of a second summit *conditional* on *an agreement on* Moscow's terms. Not for the first time, they spoke before studying the text.

Predictably, he objected to the US demand that *all* the Soviet SS-20s should be eliminated, from Asia as well as from Europe; and he objected that the British and French nuclear forces should be excluded from a Euro-missile deal.

But what he said about the summit was this: "In accordance with an understanding in Geneva there will be another meeting with the US President. The significance that we attach to it is that it ought to produce practical results in key areas of limiting and reducing armaments. . . . But there is no sense in holding empty talks." Well naturally; but what exactly are "empty" talks? A man who was prepared to meet President Reagan in Geneva last November and come away with nothing but a smile, will be prepared to meet him again on the same basis in Washington. That is what the whole speech says.

Mr Gorbachev has made three conditions for a Euro-missile deal: the retention of Soviet SS-20s in Asia; a freeze on British and French systems; and a nuclear test ban. Let me suggest why he must abandon at least the first two.

He spoke warmly of the possibility of better relations with China, and in a striking phrase described Afghanistan as "a bleeding wound" from which "we should like, in the nearest future, to withdraw the Soviet troops." Now the Chinese have identified three obstacles to better relations: the Soviet presence in Afghanistan, the Vietnamese presence in Kampuchea, and the military confrontation on the Sino-Soviet border. If the Russians want better relations, they will not make Asian SS-20s a sticking point, since they can cover all relevant targets with longer-range missiles.

Mr Gorbachev no doubt likes to tread on western corns, by emphasising the contrast between US-Soviet proposals for nuclear arms cuts, with British-French plans for nuclear expansion.

For the moment, London and Paris have refused to make any commitment until they see the size of the superpower cuts and guarantees against any growth in defensive systems. Perhaps Mr Gorbachev could force them to be more specific, earlier in the process; but he will not want to go so far. Because once Britain and France define exactly what they are prepared to offer in exchange for what, Moscow would find itself negotiating with three separate countries with distinct interests. If he were to press the case that far, we should know he was not serious, because no negotiation in those circumstances could succeed; or if it did, against all *odds. It would require Britain* and France to acquire independent satellite means of monitoring Soviet—and American—compliance with any agreement. Mr Gorbachev may desire true detente with Europe; he cannot *desire* Europe to become an autonomous actor in the tortured processes of arms control.

Mr Gorbachev's speech was just a speech. As Thomas Hobbes said: "Words are wise men's counters, they do but reckon by them; but they are the money of fools." Or as a British diplomat said to me last week: "I do not absolutely exclude that we could be at the start of something big. We shall have to see." It comes to the same thing, really.

## Lombard

# Steeplejacks and secretaries

By Robin Pauley

BRITAIN is being proved a nation of chumps—and male chauvinistic chumps at that—with humiliating regularity in the European courts.

The latest instance was last week's judgment by the European Court in favour of the plain common sense more evident on any Clapham omnibus than in the corridors of power. the judges agreed that forcing a woman to retire at 60 or 62 against her will from a job in which a man would be allowed to stay until he was 65 is discriminatory and against EEC rules.

This is only one of a string of judgments which show that however liberal and far-sighted the Equal Pay and Sexual Discrimination Acts might have looked when they were introduced more than a decade ago, they are currently not worth a row of feminist posters.

Successive British governments have been less successful than those in other countries in sweeping away patriarchal prejudices. Britain has appeared before the European Court on sex discrimination issues more times than any other EEC state. Indeed, Britain has the worst of all worlds because rules which discriminate in one way against women discriminate in another against men; some men are dismayed at the unfairness which requires them to push on to 65 and wait five years longer than women for a state pension.

Experience shows that there is little point in amending unsatisfactory legislation; as soon as one wrinkle is smoothed another appears. Britain needs a new Equality Act giving all people equal status, rights and opportunities.

At the same time one of the EEC's well-intentioned but deeply misguided directives should be reformed: the demand for equal pay for work of equal value is a short route to absurdity. It is not sensible to try to equate one job, such as secretary, with another, such as steeplejack, on the basis that both require training and skills. Instead, training and employment opportunities should be equally available to men and women who want to become either secretaries or steeplejacks and both sexes should be paid the same for the same work.

A key question comes at the end of a working life. The optimum is to have the same pension and retirement rights for men and women. The problem is that to move the men's pension age down to women's at 60 would cost around £2.5bn a year. Retirement and pension for both at 63 would cost £500m a year or less than a halfpenny on the basic rate of income tax. The problem here is that women eagerly looking forward to retirement and pension at 60 would suddenly have to go on for three more years. (Perhaps the only way for women to gain true equal rights today is for them first to surrender one or two?)

The best way forward would seem to be to combine flexibility with equality. This would be easier if ministers could be persuaded to consider genuinely radical reforms.

They should consider again the idea of allowing all men and women in public and private sectors to retire within a five or 10-year span—say, between 60 and 65 or between 60 and 70—with the pension age gradually moving down to the lower end *of the period. In the beginning,* early leavers might have to bear some loss of pension themselves, a loss which could be made up by buying personal pension top-ups if desired. Late leavers need not be given enhanced pensions but they would enjoy enhanced income in the form of salary plus pension, all taxable for the later years.

This is all very complex. The alternative is to face continuing ridicule in Europe, through its Court, for sex discrimination which looks the more foolish in a country with a woman Prime Minister still in office but already eligible for a state pension and a free bus pass, and a Queen only seven weeks away from the same status.

# Letters to the Editor

## UK nuclear industry

*From Mr S. Ghalib*

Sir,—You continue to present the AGR (Britain's Nuclear Industry—Make or Break Year) (February 25) in the worst possible light. It has been pointed out on innumerable occasions that the AGR designs relevant to the policy decisions on the reactor type to be made in the UK are those at Hunterston and Hinkley. Although prototypes, they were built in about eight years, and the cost escalation was only 17-18 per cent in real terms. The progress of construction at Torness and Heysham II, based on the Hinkley/Hunterston designs, and which are nearing completion, leaves no doubt at all that AGRs can be built to programme and close to budget.

Professor Henderson's comments obviously referred to Dungeness "B," Hartlepool and Heysham I, which suffered long delays and large cost overruns. They were to different designs which will not be repeated and therefore are irrelevant to the present considerations.

The Hunterston reactors have produced about 2 to 3 per cent more output than design. A shortfall in the station output is due to the conventional plant, which is similar to those at modern fossil stations, and does not reflect on the reactor performance.

Since on-load refuelling commenced in 1982, the Hinkley and Hunterston stations have enjoyed high average load factors of nearly 80 per cent—a measure of their reliability. The on-load refuelling capability of the AGR is an important operational feature. Whether refuelling is carried out at full load or at reduced load of, say, 70 per cent makes little difference—one or two percentage points—to the load factor.

Sel Ghalib, (former managing director, The Nuclear Power Group Ltd.)
*238, Washway Rd, Sale, Cheshire.*

*From Mr P. W. Wright.*

Sir,—Given the heightened uncertainty about the future of fossil fuel prices and the track record of the nuclear industry it would seem rather meaningless for David Fishlock and Max Wilkinson to have illustrated their article on Britain's nuclear industry with comparative generation cost data based on the *whole lifetimes* of different plant. More appropriate would have been the CEGB's *lifetime to date* data.

At March 1984 prices and using a 5 per cent discount rate (the same benchmarks used by your correspondents) the cost comparison on this basis is as follows (expressed in pence per kWh): Magnox 2.60, coal-fired 2.38, oil-fired 2.77, Hinckley Point B 2.64 and Drax (first half—the most recently commissioned coal-fired station) 2.46. In other words, nuclear power in Britain has not yet generated electricity more cheaply than coal.

Philip Wright,
Division of Continuing Education,
*University of Sheffield.*

## Medicine may be too strong

*From Mr J. A. Foster*

Sir,—I read the article entitled "Why the world economy needs a financial crash" (February 19) with ever-increasing astonishment. The impression which it left on me was as though a doctor, seeing a patient with high fever, recommend an injection of typhoid bacillus. It may or may not cure the fever, but the original, lesser, problem would be gone.

Discipline and prudence are the time-honoured watchwoods for financial balance in private, public and national life and will always remain so, I suspect.

J. A. Foster.
*Barclays Bank,*
*491 Main Street,*
*New Rochelle, New York.*

## Hattersley's view of interest rates

*From Mr T. M. Finnegan*

Sir,—I read with interest the interview with Roy Hattersley by Geoffrey Owen and Philip Stephens (February 19). It must have been extremely frustrating for the authors because it seems they were unable to extract from Mr Hattersley concrete suggestions with any level of credibility.

It often seems to me that in Roy Hattersley we have a future Chancellor of the Exchequer who talks as though he has an "O" level in woodwork.

The appalling damage that such a man could do at No. 11 Downing Street is almost too horrifying to contemplate and as I believe that we are almost certain to be faced with a Labour administration after the next election, we presumably have that prospect as a near-certainty. One can only hope that the men who lead the Labour Party understand the hollowness of Hattersley's economic knowledge and look round for a candidate with a more basic grasp of national economics and the questions raised by the management of money.

Roy Hattersley talks about money to industry at 2 per cent below base rate. Does he not understand at all the forces which create interest rates? Does he believe it is the arbitrary decision of a bank or an individual? Or even of a government? Does he not understand that interest rates and money supply are governed by forces greater than any one nation, greater than any one Chancellor, and it is the management of the economy within the conditions created by those forces that separate good governments from bad governments?

Let us hope that Mr Hattersley never becomes Chancellor, but if he does let us pray that the Civil Service is strong enough to manage this foolish man and protect the basic financial institutions which are the backbone of this country's future success.

T. M. Finnegan,
*Franklyn House,*
*The Garden Village,*
*Richmond, N. Yorks.*

## Role of landscape architects

*From the president, the Landscape Institute*

Sir,—The review of TV's Architecture at the Crossroads series by Colin Amery (February 14) hits hard at the latent superficiality of many of those sometimes isolated projects chosen to represent the spirit of current architectural expression.

Mr Amery implies the missed opportunity in such programmes to make it clear that environmental success demands much more than intrinsically beautiful buildings. Many fine works of architecture, and some not so great, are sometimes wrecked by their insensitive setting, and a complete absence of any understanding of external special design. In further programmes let it be seen that real success derives from teamwork with the contribution of the landscape architect a vital component towards such success.

Landscape architecture is not to be seen as high-class gardening, nor is it indeed a municipal confusion of little aims, writhing paths, impossible contours and water-worn rockery. Rather is it a dimension of nature added to planning. A proper balanced relationship between architecture, plants and people. A backward glance at our architectural heritage will surely prove the point.

John Whalley.
*12, Carlton House Terrace, SW1.*

## Currency options and corporates

*From Mr C. Carter*

Sir,—Lex (February 25) continues its disparaging attitude to the use of currency options by corporates. Such a negative attitude from the Financial Times will undoubtedly discourage some corporates from using what has proved to be a vital tool in risk management.

Some points should be made to balance Lex's comments on the Lufthansa case.

First, the record in the last 12 months of properly used currency option strategies, particularly those using low cost out-of-the-money series, has been outstanding for many corporates.

Secondly, the capacity already existed a year ago in the OTC market to accommodate option requirements on the scale needed by Lufthansa.

Thirdly, the primary property of an option for corporates is that of an insurance policy. It can be structured to cover full risk, by way of at-the-money options, or to cover catastrophe risk, by far the most common use, by way of out-of-the-money options.

Lufthansa did not need full risk cover at the 6 per cent level: what would have solved its problem was catastrophe risk cover, whose cost would have been as low as 3 per cent.

Options and their properties must be better understood, not only in currencies but, in the case of Lufthansa, also in oil price and interest rates exposure. For they represent one of the few ways of paring the risks of escalating volatility in all markets from impacting their true business.

Christopher Carter,
Channel Islands
Money Brokers.
*2 La Chasse,*
*St Helier, Jersey.*

## Westland stake and Gadaffi

*From Mr P. T. Frost*

Sir,—Now that Sikorsky and Fiat have a keystake in Westland I wonder if Mrs Thatcher will give an official welcome to Colonel Gadaffi as a shareholder? Also, will the Americans really want the Libyan leader as a shareholder in an US-owned Nato military manufacturer?

Incidently, would the Americans ever allow Swiss nominee accounts to hold 20 per cent of *one of their military manufacturing suppliers?* I don't think so.

Peter Frost,
*11, Mossfield Close,*
*Colchester, Essex.*

# FINANCIAL TIMES

Monday March 3 1986



Terry Byland on Wall Street

## Equities in danger of overheating

THERE were times last week when the wild surge in the bond market rendered useless any attempts to apply rationality to stock prices. No matter how significant the role of the investment programme in modern markets, few managers could stand aside when long-term bond yields were plunging towards levels not seen in New York for years.

In general terms Wall Street remains very bullish for financial markets. The collapse of world oil prices has strengthened the case for the return to financial assets against a background of "low inflation, moderate economic growth, declining interest rates and a long cycle," as E. F. Hutton, the analyst, characterises it in its latest investment strategy report.

But there are worries that the stock market may be overbought in the near term. The wild excitement in bonds enabled the stock market to brush aside the downgrading last week of IBM stock by Merrill Lynch, Salomon Brothers, Prudential-Bache and Cowen & company. The refusal to pay heed to IBM's own warning on first-quarter revenues is alarming, since Big Blue has been the market pacemaker over the past two years.

The erratic movement in the stockmarket on Friday lends credence to suggestions that equities are overbought and that investors would do well to look carefully at the technical pattern in some stocks. IBM is not alone in sending out warning signals, and some other major names could be vulnerable to a shakeout. Stock in Deere & Company suffered a $1 setback at the end of the week but remains surprisingly strong for a group dependent for about 60 per cent of sales on the farming sector. The stock has been supported by market tales of an impending restructuring, buybacks and/or a takeover.

According to Mr Frank Prezelski at Shearson Lehman Brothers, Wall Street may be confusing itself over a relatively minor development at Deere, which told employees recently that it was going to consolidate its finance operations.

In the absence of a bid, Deere remains overshadowed by prospects of a lacklustre year, already opened by a quarterly loss of 51 cents a share. Analysts believe the full year could be marginally profitable. Yet the stock was above $31 last week with high turnover indicating surprising confidence.

The chemical sector has outperformed the rest of the market as collapsing oil prices have cut the industry's feedstock costs. Monsanto has been the frontrunner and at its present price is selling on about 24 times historic earnings and indicating Wall Street's expectations that profits will rise to about $4.50 a share this year.

These forecasts lean heavily on a contribution from Aspartame, Monsanto's artificial sweetener, of about a third of the total. However, it is believed that Monsanto will charge the costs of the G. D. Searle acquisition to the Aspartame area, leaving industrial and agrichemicals to bear the burden of increasing profits on their own shoulders.

But Monsanto's agricultural chemicals were in loss in the final quarter of last year, and with the US farming industry still in deep trouble, it is hard to see where the improvement is going to come from this year.

Intriguingly, Monsanto, having said it is not interested in buying any of Union Carbide's cast-off businesses, has become the target of takeover gossip itself.

Stocks in Monsanto and Deere have risen dramatically from their recent lows and both stock prices are now demanding a great deal from prospective earnings.

Both continue to attract heavy turnover and to participate in the market's surge of confidence. But both, significantly, have shown themselves vulnerable when the market showed signs of a correction.

# Ulster Unionists doubtful of support for strike

BY MARGARET VAN HATTEM

NORTHERN IRELAND was last night braced for 24 hours that could set the pattern of protest in the province during the summer. If today's strike in protest at the Anglo-Irish agreement attracts wide support, loyalist leaders are likely to try to step up the pace of resistance.

However, Unionist political leaders appeared last night to be far from confident that the strike would attract sufficient support to bring the province to a halt. Differences of emphasis, tone and interpretation between Mr James Molyneaux's Official Unionists and the Rev Ian Paisley's Democratic Unionists also continued to widen.

As groups of loyalist workers, paramilitaries and politicians met at the weekend to try to co-ordinate tactics, the Royal Ulster Constabulary was drawing up plans to keep major roads unblocked and enable people to get to work this morning.

All police leave has been cancelled. The Government last night denied extra troops were on standby to be flown in to the province in case of violence. But it was pointed out that extra troops were already available, called in to protect construction workers on RUC building sites from Republican violence.

Meanwhile, the citizens of Ulster have been stocking up on candles, torches, paraffin lamps and camping stoves in case of a total power stoppage. Government and other workers not supporting the strike have been dusting down rusty bicycles and organising car pools.

Mr Enoch Powell, the only Unionist MP not taking part in the protest, yesterday supported the strike. Speaking on television Mr Powell said it was a "perfectly natural" protest, well within the law, and one he would certainly be taking part in if he were employed in Northern Ireland.

Mr Powell added that, unlike his party leader, Mr James Molyneaux, he did not consider the offer of consultation and a period of reflection from Mrs Margaret Thatcher, the British Prime Minister, to Mr Molyneaux and Mr Paisley last Tuesday could form even the basis for further talks.

This marks a rift between Mr Powell and Mr Ian Gow, the most prominent Unionist supporter on the Tory right-wing until now.

Mr Gow was instrumental in persuading the Prime Minister to make the offer, and he said afterwards there could not now be any justification for strike action.

Mr Molyneaux continued playing down the strike over the weekend, taking a markedly softer line than Mr Paisley and his colleagues.

On Friday, the Official Unionist executive called for a two-tier conference of talks, on devolution and on a new tripartite British-Irish framework, to replace the existing bilateral agreement.

Although the party is still insisting on suspension of the agreement as a precondition for such a conference, Mr Molyneaux did not rule out the possibility of preliminary talks with Mrs Thatcher – or even Dr Garret FitzGerald, the Irish Prime Minister – without this.

# Brazilians turn on shops in bid to enforce price freeze

BY RICHARD FOSTER IN BRASILIA

BRAZILIANS took to heart over the weekend President José Sarney's appeal that they help the Government enforce a price freeze decreed on Friday as part of a radical new attack on the country's 255 per cent inflation.

Supermarkets in Rio de Janeiro were sacked by irate consumers on Saturday, and supermarket chains soon marked prices back to where they were before the freeze and published announcements in Sunday newspapers of full support for the Sarney programme.

The political success of the new attack on inflation depends heavily on the Government's effectiveness in holding down prices. Salaries, after being increased to compensate for the last six months' inflation, will be frozen and not adjusted again until accumulated inflation reaches 20 per cent. The Government says its programme, dubbed the cruzado plan after the new currency which replaces the cruzeiro, will cut monthly inflation from 15 per cent to 1.5 per cent in the coming months.

Brazilians quickly perceived that they stood to lose if merchants were allowed to get away with price cheating. Only hours after the plan was announced, a Rio de Janeiro fast-food outlet closed its doors. Customers, suspecting prices were being marked up, broke in and stole their lunches.

In Brasilia on Saturday food buyers in one supermarket spent more time policing prices than they did buying. They piled up hundreds of items they claimed had been marked up and called the police. Throughout the country price control agencies were bombarded with more phone calls than they could handle, and newspapers offered help in handling complaints and relaying them to the Government.

Concerned that shop managers arrested over the weekend were bearing the brunt of the public's anger, Finance Minister Mr Dilson Funaro said business owners would be fined and even imprisoned if their establishments were found guilty of price increases.

President Sarney decreed the wage and price freeze under emergency presidential powers just one day before the Congress reconvened following a Christmas and carnival recess. He said he needed the element of surprise to make the plan work. When the legislature reopened on Saturday, labour leaders, who say the price freeze will not work, booed Mr Funaro and other ministers. But Mr Sarney has undoubtedly strengthened his Congressional support with the new plan. Politicians say the drastic action may have come just in time not only to halt rocketing inflation but to patch up a shaky government coalition in advance of November by-elections.

Brazil's inflation has been running above 100 per cent since 1980, and Brazilians have grown accustomed to a continual erosion of their incomes, which they blame on the Government and middle men. By issuing his rescue plan and asking the public to make it work, Mr Sarney shifted responsibility from himself to consumers. So far, they have accepted the challenge with zeal.

Editorial comment, Page 16

# Japan calls for interest rate cut

BY GEORGE GRAHAM IN LONDON

JAPAN has called on the US for a concerted cut in interest rates by leading industrial nations, a Japanese Foreign Ministry official said this weekend. The call came during two days of meetings in Tokyo between Mr Reishi Teshima, the Japanese deputy foreign minister, and Mr Allen Wallis, US State Department Under Secretary for Economic Affairs.

The call is expected to arouse further speculation in the financial markets that interest rate cuts, at least in Japan and West Germany, may be imminent.

Observers of governmental etiquette will note that the talks were between foreign ministry representatives, not the finance ministry and central bank officials who would decide on any interest rate move. But the markets were unconcerned about the precise allocation of departmental responsibilities in January when they reacted strongly to similar remarks about concerted interest rate cuts by Mr Martin Bangemann, who is West Germany's Economics Minister, not its Finance Minister.

Officials hoped, after January's meeting of the Group of Five leading industrial nations in London, that they had put over the idea that concerted rate cuts were not just unlikely, but in practical terms impossible. "It was quite unrealistic to expect us all to announce interest rate cuts on the same day, just like that," said one central banker

Now, as they embark on a prolonged series of meetings leading up to the International Monetary Fund's gathering in the second week of April and the World Economic Summit in Tokyo in early May, they may have to set about scotching the idea once again.

The financial markets are likely, however, to be disappointed if they expect any concrete moves to arise from these meetings.

Surpluses increase, Page 4

# Traders press tin rescue plan

BY ANDREW GOWERS IN LONDON

BANKS and metal traders which are owed hundreds of millions of pounds as a result of the tin crisis are to make last-ditch efforts this week to obtain a response from the International Tin Council to their rescue plan for the market.

There are fears that key legal objections on the part of one of the council's 22 member governments could still prevent an orderly resolution of the 18-week-old tin crisis.

The rescue plan, which is in the form of a memorandum of understanding and involves setting up a new company to take over the ITC's 85,000 tonnes of tin stocks and sell them off gradually over about three years, is described as the final chance for such a solution.

It was agreed in outline by council delegates, bankers and brokers more than a week ago, and the ITC's member governments were asked to give their preliminary reactions by last Friday, with a view to putting the new company's capital in place by March 5.

However, a meeting between the council and its creditors scheduled for Friday night was cancelled at the last minute after member governments had failed to resolve outstanding legal issues over the proposed rescue. Delegates agreed simply to reconvene today and bankers remain confused about the position.

Separately, EEC member states are continuing to discuss their own position. The subject may come up at a meeting of Community Industry Ministers in Brussels today.

## World Weather

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | C | 14 | 57 | Dubrovnik | S | 12 | 54 | Malta | S | 21 | 70 | Rhodes | F | 17 | 63 |
| Algiers | C | 22 | 72 | Edinburgh | S | 0 | 32 | Manchester | S | 3 | 37 | Rio de J'o | C | 34 | 93 |
| Amsterdam | S | 0 | 32 | Faro | — | — | — | Manila | S | 30 | 88 | Rome | C | 14 | 57 |
| Athens | C | 14 | 57 | Florence | C | 10 | 50 | Melbourne | F | 20 | 68 | Salzburg | C | 3 | 37 |
| Bahrain | F | 24 | 75 | Frankfurt | C | -1 | 30 | Mexico City | — | — | — | San Francisco | S | 21 | 71 |
| Bangkok | S | 28 | 82 | Funchal | — | — | — | Miami | F | 18 | 64 | Seoul | S | 3 | 37 |
| Barcelona | — | — | — | Geneva | F | 3 | 37 | Milan | Fg | 3 | 37 | Singapore | F | 25 | 77 |
| Beirut | F | 20 | 68 | Gibraltar | C | 16 | 61 | Montreal | F | -7 | 19 | Stockholm | S | -3 | 27 |
| Belfast | S | 3 | 37 | Glasgow | S | 1 | 34 | Moscow | Sn | -4 | 25 | Strasbourg | S | 0 | 32 |
| Belgrade | C | 5 | 41 | Guernsey | C | 2 | 36 | Munich | F | -3 | 27 | Sydney | C | 22 | 72 |
| Berlin | S | -3 | 27 | Helsinki | F | -1 | 30 | Nairobi | F | 29 | 84 | Taipei | F | 10 | 50 |
| Biarritz | C | 12 | 54 | H. Kong | S | 13 | 55 | Naples | C | 16 | 61 | Tangier | — | — | — |
| Bombay | S | 28 | 82 | Innsbruck | C | 7 | 45 | Nassau | C | 21 | 70 | Tel Aviv | S | 18 | 64 |
| Bordeaux | S | 10 | 50 | Inverness | F | 5 | 41 | New Delhi | S | 23 | 73 | Tenerife | [illegible] | 16 | 61 |
| Brussels | C | 2 | 36 | Islamabad | S | 27 | 81 | New York | F | 5 | 40 | Tokyo | F | 9 | 48 |
| Budapest | Sn | -3 | 27 | Istanbul | C | 5 | 41 | Nice | C | 13 | 55 | Toronto | C | 1 | 34 |
| B. Aires | S | 24 | 75 | Jakarta | — | — | — | Nicosia | F | 18 | 64 | Tunis | S | 24 | 75 |
| Cairo | F | 21 | 70 | Jersey | F | 2 | 36 | Oporto | — | — | — | Valencia | — | — | — |
| Cape Town | S | 22 | 72 | Jo'burg | F | 27 | 81 | Oslo | F | -1 | 30 | Venice | C | 7 | 45 |
| Caracas | C | 27 | 81 | Lima | F | 27 | 81 | Paris | S | 1 | 34 | Vienna | Sn | -4 | 25 |
| Casablanca | — | — | — | Lisbon | C | 14 | 57 | Peking | S | 14 | 57 | Warsaw | S | -5 | 23 |
| Chicago | C | 4 | 39 | London | F | 1 | 34 | Prague | Sn | -5 | 23 | Washington | — | — | — |
| Cologne | S | 2 | 36 | Los Angeles | C | 18 | 65 | Reykjavik | C | 5 | 41 | Zurich | S | 0 | 32 |
| Copenhagen | F | -2 | 28 | Luxembourg | — | — | — | | | | | | | | |
| Corfu | F | 14 | 57 | Madrid | F | 13 | 55 | | | | | | | | |
| Dallas | — | — | — | Majorca | — | — | — | | | | | | | | |
| Dublin | S | 4 | 36 | Malaga | — | — | — | | | | | | | | |

*Readings at mid-day yesterday:*
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

# Yen rise hits Japanese groups

BY YOKO SHIBATA IN TOKYO

THE STEEP appreciation in the value of the yen and the depressed world semiconductor industry have forced Japan's six major electronics groups to make a further downward revision in earnings forecasts for the year ending this month.

The companies initially gave conservative forecasts for fiscal 1985 in view of problems such as trade friction.

The sharp rise in the yen since then has hit profits, while export revenue in yen terms has fallen markedly since the beginning of 1986. The companies' efforts to hedge their export revenue with forward currency contracts could not keep up with the speed of the currency's appreciation.

Hitachi expects pre-tax profits of Y170bn ($941m), down 34 per cent from 1984–85, while export revenues will fall for the first time in 19 years.

NEC now expects a 16 per cent fall in pre-tax profits to Y108.3bn, having originally forecast a 6 per cent rise to Y133bn. The company said growth in divisions such as communications equipment and computers would fail to offset a declina on the electronic devices side, but total sales would still rise 6 per cent to Y2,010bn.

At Toshiba, pre-tax profits are expected to drop 45 per cent to Y80bn. Apart from the effect of the yen's rise, sales in the heavy electric machinery division and exports to China have fallen.

# West Bank peace hopes hit by mayor's killing

By Andrew Whitley in Tel Aviv

MR ZAFR AL-MASRI, newly appointed by Israel as Mayor of Nablus in the occupied West Bank, was assassinated yesterday morning on his way to work at the municipal offices.

Nablus, the most important city on the West Bank, with a population of 100,000, was placed under a total curfew by the Israeli army as the search started for the lone assassin.

Visiting the site, Lt Gen Moshe Levy, the armed forces' Chief of Staff, said all efforts would be made to discover those who bad planned and carried out the attack.

The killing of Mr Masri, a prominent local businessman, deals a serious blow to the bopes, expressed publicly in recent weeks by both Israel and Jordan, that the West Bankers would free themselves from the tutelage of the Palestine Liberation Organisation.

"This is a terrible blow. It looks like a slap in the face for everything (Mr Shimon) Peres is trying to do," a senior Israeli official said last night.

The Israeli Government last month launched a revived version of a plan for greater local autonomy in the occupied territories, with the avowed goal of improving the quality of life for the 1.3m Palestinians living on the West Bank and in the Gaz., Strip.

Within the plan, a key element is the appointment of prominent local Arabs to run municipal administrations in place of Israeli officials. Following the apparently successful precedent in Nablus, negotiations were at an advanced stage with candidates in the towns of Hebron, Ramallah and El-Birah.

These delicate efforts to persuade West Bankers to take responsibility for their own affairs are now likely to come to a halt. "The chances of anyone coming forward now are very slim," an aide to Prime Minister Peres said.

Mr Bassam Shak'a, a former Mayor of Nablus, badly injured in a Jewish terrorist bomb attack, accused Israel of indirect responsibility for his successor's death by what he said were its attempts to drive a wedge among the Palestinians.

Two radical Palestinian factions opposed to Mr Yassir Arafat's PLO, the Abu Nidal group and Mr George Habash's Popular Front for the Liberation of Palestine, yesterday both claimed responsibility for the assassination. For its part the PLO quickly joined the Israeli and Jordanian governments in their condemnation of the act.

An Israeli Cabinet statement said Mr Masri's murder was "a blow to the residents of the territories and to whoever wishes to see progress towards calm and understanding." It added that his death would not deter the Government in its proposals concerning self-administration in the occupied territories.

Ironically, Mr Masri himself had never claimed that his appointment as Mayor of Nablus – he took office only last December – was anything more than a temporary measure, and not a substitute for fresh municipal elections, something the Israeli authorities refuse to permit.

Alleged war criminal in court, Page 3

## Mitterrand warning

Continued from Page 1

But he did not tie himself to choosing as prime minister the leader of the largest group in that majority – in all likelihood, Mr Jacques Chirac, the mayor of Paris.

Mr Mitterrand was adamant, however, he would not allow an incoming prime minister to impose terms on him, as some leaders in the opposition have proposed. Mr Mitterrand said be would "turn a deaf ear" to such efforts.

## Foreigners shy of London SE

Continued from Page 1

US investment banks such as Salomon Brothers, Morgan Stanley and Goldman Sachs are also reluctant to apply, hut for different reasons. It is thought that they would find it difficult to comply for the time being with the complex rules of the London exchange, which will continue to protect single capacity operation – the strict separation of broking and market making.

Instead, they may wait to join until October, when the London market will switch to a dual-capacity trading system, and they may also want to wait and see how the new regulatory system develops, with both the stock exchange and the international dealers' body Isro jostling for position.

THE LEX COLUMN

# Time to raise Standards

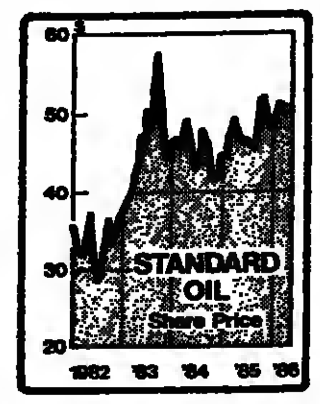
For a company that bas never been associated with the policy of the revolving door, British Petroleum's show of strength in the Standard Oil boardroom last week is most out of character. The obvious explanation must be the right one: that enough of a head of steam had built up in the relationship between Standard's management and its 55 per cent shareholder to blow out not only two senior Standard executives but also BP's reputation for passivity.

Sixteen years ago, when BP was all but overwhelmed by its North Slope findings, the deal made great sense: BP had no cash and Standard had no oil. But it was eminently risky to hand over an entire exploration province and the lower 48 states to a refining and marketing company that had no tradition of success upstream.

Standard was particularly unlucky in its choice of holes in the grorund in which to bury the Alaskan cash-flows; at the end of last year, it wrote off over a tenth of its net worth against dud exploration leases, coal and oil shale assets and the copper mines acquired with Kennecott in 1981. BP swallowed all that and even a last ditch $400m investment to bring the copper operations into profit one day. But that was before the price of oil began to tumble.

While Standard has shown itself as able a manager and purchaser of refining assets as BP had hoped in the first place, its exploration expenditure – which has declined only marginally since the 1982 peak – has tended to turn up only some of the highest-cost oil in North America. There is now a strong prospect that the margin on North Slope oil will all but vanish into transport, tax and evaporation: last year's average price of $26.5 a barrel could well fall to $16 or less, while retrenchment hy the other partners in Prudhoe Bay will mean a sharp downturn in Alaskan production from 1988. In effect, BP can no longer afford to leave its investment (valued at over $6bn by the market) in the hands of managers with a poor record of allocating capital.

BP has now ensured greater operational control by despatching two of its most admired younger managers to Cleveland. But it appears in no hurry at all to seek control of the company hy buying or having Standard retire the 45 per cent minority. Indeed, an oil company valued at perhaps 17 times this year's earnings on a $16 North Slope price – and yielding 5.5 per cent – scarcely sounds much of an investment.




One of the advantages of management control is that funds can be deployed more easily outside the US; while US reserves can probably be picked up more cheaply from companies who have had the Pickens treatment and are being forced into further asset sales to top up the value of their collateral. Anyway, at current levels, BP would he much better advised to buy in its own shares than encourage Standard to make further stock purchases for its treasury.

## Merchant banks

The tick of the big bang clock grows louder by the week. As of Saturday, members of the London Stock Exchange have been permitted to surrender full control of their businesses to outsiders endowed with much larger quantities of capital. Meanwhile two exceptionally well-endowed foreign firms – Nomura and Merrill Lyncb – should tomorrow be voted into membership by the Stock Exchange Council. A stock market which has always operated on a capital hase which would fit comfortably into the shareholders' funds of either of the two new entrants is launching what amounts to a rights issue on an unprecedented scale.

This sudden infusion of capital is leaving the smaller independent UK firms – notably the merchant banks and the discount houses – looking somewhat exposed. If capital is indeed king, most of London's accepting houses will be fortunate to obtain a place at court. By agreeing a takeover from Exco, structured to keep Exco's casb resources intact, Morgan Grenfell is tacitly admitting the need for greater capital in the new world.

The nervousness of the UK merchant banks will only bave been enhanced by Friday's missive from the Bank of England. The capital restrictions which may in future inhibit the use by merchant banks of imaginative takeover tactics could apply equally to bougbt deals in the equity or debt markets. The bank with the capital will, it seems, be the bank that can do the deal.

Yet, if New York is any guide, British houses should be able to operate adequately within their present capital structure. Several Wall Street investment banks – and discount brokers – trade successfully off a capital hase of $500m or less. On the assumption that Kleinwort Benson discloses only about three quarters of its total reserves, the bank's shareholders' funds are broadly equivalent to those of First Boston. The difference is that Britisb merchant banks use their capital not just to support investment banking activities but to back up straightforward lending. If, as Laing & Cruickshank has argued in a recent study of the accepting houses, the banks run down the volume of their loan assets, capital would he liberated for use in corporate finance and trading.

As corporate clients disintermediate – by replacing bank debt with marketable securities – the capital position of the accepting houses should actually improve, L&C argues. If a merchant bank substitutes a £100m commercial paper programme for a £100m credit line, it will need to hold on its books just sufficient inventory to make a market in the paper. L&C also maintain that the marketability of the securitised loan should be reflected in a lower risk asset weighting, allowing the merchant banks to support more commercial paper than straightforward debt on a given quantity of capital.

It is by no means clear that the Bank of England would recognise that argument – securitised loans have a habit of becoming illiquid just when the capital support is needed – but disintermediation would have a positive effect on capital ratios whatever the risk asset weighting. For London's merchant banks, the sterling commercial paper market cannot come a minute too soon.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday March 3 1986



INTERNATIONAL BONDS

# Long road to narrower spreads forecast for Europe

"TO SAY that spreads have widened is a polite way of saying that there is nobody buying Eurodollar bonds," said a syndicate manager in London on Friday, **writes Alexander Nicoll in London.**

Fixed-rate dollar Eurobonds may have shown impressive price gains last week but most were eclipsed by the breathtaking advance of New York. Although the value of new bonds on managers' books has been enhanced on paper, there is little sign that digestion of recent issues has been eased.

The general but not universal view in the Euromarkets is that spreads will tend to narrow, as they always have, when New York stabilises – as it was showing signs of doing in erratic trading on Friday.

It could be a long process, however. Sovereign and supra-national borrowers are likely to remain attractive to institutional European investors, but corporates are unlikely to meet much retail demand while investors perceive that the outlook for the dollar is a declining one. On the other hand, the dearth of corporate issues could help to tighten spreads.

The volatility of the New York market is not only reminiscent of the Roaring Twenties but has also made pricing of Eurobonds at spreads above US Treasury issues little more than a shot in the dark.

With real yields in other main and apparently stronger currencies matching or exceeding those on dollar bonds, some bankers are predicting an upsurge in non-dollar issues.

Investors' focus, however, is on absolute yields in an attempt to offset the effect of declining rates on portfolio returns. On the other side, many borrowers are predicting the next move in interest rates by attempting to lock in today's low coupons for as long as possible.

The outcome of these two desires has been an attempt to lengthen maturities in the Eurodollar bond market. The recent launch of 20-year and 30-year issues has proved a key test of whether there is sufficient appetite for such paper outside the US. The jury is still out.

**EUROMARKET TURNOVER**
**Turnover ($m)**

| Primary Market | Straights | Conv | FRN | Other |
|---|---|---|---|---|
| US$ | 5,219.5 | 20.0 | 1,313.9 | 146.8 |
| Prev | 5,030.2 | 284.9 | 2,831.1 | 1,708.9 |
| Other | 930.3 | 7.5 | 311.6 | 23.9 |
| Prev | 2,152.3 | 3.5 | 1,190.7 | 220.0 |
| **Secondary Market** | | | | |
| US$ | 27,429.8 | 1,611.2 | 8,800.0 | 3,524.6 |
| Prev | 21,259.0 | 1,025.3 | 10,316.1 | 3,275.4 |
| Other | 8,523.4 | 193.6 | 3,093.5 | 3,415.0 |
| Prev | 6,800.5 | 228.6 | 1,529.1 | 2,547.9 |

| | Cedel | Euroclear | Total |
|---|---|---|---|
| US$ | 14,089.5 | 33,976.1 | 48,065.6 |
| Prev | 13,004.0 | 32,726.9 | 45,730.9 |
| Other | 8,053.3 | 8,445.5 | 16,498.8 |
| Prev | 7,014.4 | 7,458.2 | 14,472.6 |

Week to February 27 1986 — Source AIBD

The World Bank, which last week issued 40-year non-callable bonds yielding 8.89 per cent in the US market, has so far provided the best advertisement for 30-year Eurobonds.

Its $500m of such bonds, with high liquidity and a top-class name, have tracked Treasuries fairly well, supporting the argument that the volatility of long-dated bonds is attractive to investors seeking speculative gains.

From the few corporate issues seen so far, however, it is difficult to judge whether a large potential market exists. When all corporate issues have been badly lagging Treasuries, it is unfair to single out the 30-year ones.

But of the three, only one, Amoco has been by a triple-A borrower. Though American Telephone and Telegraph's name may ring a bell with investors, that of Cargill, the privately owned commodities firm, might well not.

Cargill's $100m issue, with a 9¼ per cent coupon and par pricing, was launched by Shearson Lehman Brothers International at a juicy 103 basis point spread over Treasuries. It was argued that the borrower, though unlisted and little known to retail investors, would be familiar to the financial markets in which Cargill deals and to Swiss investors.

Many bankers said, however, that lack of awareness of Cargill's name would make it unattractive to retail buyers and that the relatively small size of the issue would reduce the liquidity needed to make a long-dated market work.

Among those who initially found 30-year Eurobonds attractive were Japanese regional banks and thrifts which have found their margins squeezed. They saw the bonds as attractive because they offered the highest yields along an already fairly flat yield curve and because the danger of long-term currency damage was reduced by the long maturity.

Now, however, the drop in long-term yields has flattened the yield curve still further and reduced their demand.

Also launched on Friday was a $150m five-year deal for a Hong Kong subsidiary of Dai-Ichi Kangyo Bank, with Manufacturers Hanover as bookrunner. With an 8⅛ per cent coupon and a price of 101⅛, the issue was viewed as very aggressively priced.

Belgium, meanwhile, added another $50m tranche to its $250m issue launched earlier in the week. The relatively favourable response to the issue suggested that investors were undeterred by its registered form and high $250,000 denominations.

On the continent, the West German market was the chief beneficiary of euphoria elsewhere, with New York's performance, falling oil prices and hopes of domestic interest rate cuts all helping the market to gain between 1 and 1½ points on the week.

Sweden's recent issue climbed to 100¾ per cent from its issue price of par, and the Philip Morris issue, which came on tight terms, was also doing well.

Switzerland, however, was less enthusiastic. Prices were up only ⅛ to ¼ on the week.

# ICI acts to retain control in Malaysia

ICI of the UK has unveiled plans to restructure its operations in Malaysia to enable it to retain equity and management control while complying with the Malaysien Government's new economic policy, **writes Wong Sulong in Kuala Lumpur.**

The plan involves ICI transferring all its Malaysian operations to the Chemical Company of Malaysia (CCM), its publicly listed subsidiary.

CCM will be a holding company with four subsidiaries, each dealing with four main business lines, namaly the manufacture and sale of paints, fertilisers, agrochemicals and industrial chemicals.

The entire ICI Malaysian operations last year recorded turnover of about 500m ringgit ($204m) and pretax profits of about 40m ringgit.

The enlarged CCM will have a paid-up capital of about 10m ringgit compared with its present 30m ringgit. ICI will hold 50.1 per cent in CCM, while the Bumiputra (ethnic Malay) share will be 42 per cent compared with the new economic policy requirement of 30 per cent.

Malaysian approval for ICI's controlling equity and management is seen as vital so that the enlarged CCM can benefit from its technical, operational and management knowhow end its patents, tradenames and trademarks

The Malaysian Government agreed to Nestlé of Switzerland having 25 per cent control of its restructured Malaysian operation 18 months ago, and ICI's scheme is being keenly watched by foreign investors as reaffirmation of the Government's declared liberal investment policy, which among other things allows foreign investors to retain control of their businesses in an area where trademarks, technology and international markets are crucial.

It is the intention of ICI, through CCM, to participate in the Malaysian chemical industry, which has been described by the recently published Malaysian industrial masterplan as "an infant industry" with vast development potential.

EURONOTES AND CREDITS

# Mexico's call for deal in debt crisis fails to shake bankers

MEXICO'S President Miguel de la Madrid is a man with his feet firmly on the ground, one banker said last week. Sometimes in Mexico, however, the ground is prone to quake, **writes Peter Montagnon in London.**

So it was that 10 days ago Mr de la Madrid announced that Mexico, suffering a massive loss of oil revenue, could no longer afford to pay all the interest on its $100bn foreign debt. Mexicans had made enough sacrifices, he said on television, and from now on creditors must also share the load.

Four years ago, when the debt crisis began, such a statement would have hung like a sword of Damocles over the international financial system. Yet last week there was hardly any sign of panic as Mr Jesus Silva Herzog, Finance Minister, was closeted in urgent talks in Washington with Mr James Baker, Treasury Secretary, and Mr Paul Volcker, Federal Reserve Board chairman.

Bankers now believe Mexico may not yet be at the brink. The first crumb of comfort has already come from the fact that President de la Madrid has called for a negotiated solution to his country's problems.

Today no one yet knows exactly what that solution will entail. In Washington US government officials denied a rescue package was needed. In Mexico government officials said a package was under discussion. So what exactly is going on?

A first point is that Mexico clearly needs fresh foreign finance this year. The question is how much. Initial efforts by creditors have concentrated on whittling down the initial $9bn figure to a more manageable level.

The next meeting between Mexico and its creditor banks is more likely to be next week than this, but already on Friday in New York some new indicative figures were going around. These suggest that, with some pruning of the budget and imports, as well as a lower than anticipated increase in reserves, the total need could be kept close to $6bn. Of that, up to about $3.5bn might have to come from the banks themselves.

Already figures such as these have begun to reduce the Mexican emergency to more manageable proportions, but uncertainties still remain over the country's stated need for interest rate relief.

One version doing the banking rounds last week was that Mexico would still like its commercial bank finance to be provided partly in the form of interest rate relief. There is a strong aversion in the Government there to the notion of piling on extra debt just to cover its loss of oil revenues.

But many leading banks are still vehemently opposed to such an idea, not least because of the precedent it would set for other debtors. They would argue for a straightforward loan at market rates, even though they also recognise such a deal would be extremely hard to syndicate.

To push such a deal through the market Mexico would have to demonstrate it was capable of restoring confidence in its economic management and curbing capital flight. Also bankers would look askance at a loan the purpose of which was just to finance the fiscal deficit.

With an IMF programme behind it, the financing might, however, be arranged, especially if part at least was financed jointly with the World Bank. In other words there are still some options open for arranging what is basically a conventional package. The banks and the US Government would prefer to try that first. Interest rate relief would surely be a last resort.

The Eurocredit and Euronote market meanwhile is becalmed, although Hanson Trust, as already reported, has arranged a £1bn credit through Chemical Bank. In Asia Korea Exchange Bank is preparing to launch a $500m, eight-year credit. Expected terms include two tranches. One, of $125m, would carry interest at US prime, though there would be a cap on the rate of 95 basis points above the certificate of deposit (CD) rate. The other would bear a margin over London interbank offered rates for Eurodollar deposits of ½ per cent for the first two years rising to ⅝ per cent thereafter.

Malaysia is also sounding the market for $500m. Banca Commerciale Italiana has appointed Bank of America International to arrange an unlimited CD programme. Mitsui Bank has launched a $150m, five-year revolving CD programme through Goldman Sachs with First Interstate acting as agent.

Sweden's Aga concern has launched a second $100m commercial paper programme through Credit Suisse First Boston and Enskilda Securities.

# Three-way GATX bid

BIDDING for GATX, the Chicago conglomerate, has heated up with Leucadia National, a New York financial group, increasing its cash offer by $2 to $40 a share and the arrival of a third contestant with a higher offer, **writes Our Financial Staff.**

Gabelli and Company is making a conditional cash and notes offer worth $42 a share valuing GATX at $549m. This bid tops the $40 a share offer by Adler & Shaykin, an investment banking firm, on Thursday that has now been matched by Leucadia.

Leucadia holds 9.8 per cent of the leasing bulk storage conglomerate and says Merrill Lynch is confident the necessary financing can be found for its latest offer.

GATX said it would consider all genuine proposals that could benefit shareholders and had instructed Morgan Stanley to discuss the Gabelli bid with the offerer.

# Farmitalia to raise L390bn

FARMITALIA Carlo Erba, the Italian pharmaceuticals subsidiary of the Montedison group, is planning to raise L390bn ($259.5m) through a rights issue on the Milan bourse, **writes Alan Friedman in Milan.**

Proceeds will be used for acquisitions, according to Farmitalia, which is 75 per cent owned by Erbamont, another Montedison subsidiary which is listed on Wall Street.

The Farmitalia issue brings to L1,145bn the total amount of cash which the Montedison group is planning to raise this spring. Montedison itself is planning a L555bn equity offer. Its Meta retailing, financing and industrial subsidiary plans to raise L200bn on the Milan bourse.

## US MONEY AND CREDIT

# Bond prices soar to eight-year highs

THE US Treasury bond market roared to eight-year highs last week. Longer term yields went into free-fall as retail investors and portfolio managers, buoyed by declining oil prices and receding concerns about inflation, went on a buying binge. In the corporate market prices soared by up to five full points despite a record-breaking $9.55bn in new corporate debt being brought to market.

The last phase of the bond market rally—which has come despite a sticky Fed funds rate and little change in other short-term rates—primarily reflects a fundamental reassessment of inflation prospects by investors prompted by the continuing plunge in oil prices.

Mr Paul Volcker, the Federal Reserve Board chairman, noted this sea-change in inflationary expectations last week in congressional testimony. Terming the recent decline in long-term US interest rates "quite remarkable," he said that there was evidence that investors' skittishness following a bout of violent inflation—as in the 1970's—may be "working through."

**US MONEY MARKET RATES (%)**

| | Last Friday | 1 week ago | 4 wks ago | 12-month High | 12-month Low |
|---|---|---|---|---|---|
| Fed Funds (weekly average) | 7.91 | 7.89 | 7.93 | 8.91 | 7.10 |
| Three-month Treasury bills | 7.02 | 7.03 | 7.06 | 8.75 | 6.67 |
| Six-month Treasury bills | 7.01 | 7.07 | 7.05 | 8.20 | 6.81 |
| Three-month prime CDs | 7.45 | 7.57 | 7.74 | 9.40 | 7.33 |
| 30-day Commercial Paper | 7.60 | 7.65 | 7.70 | 9.25 | 6.85 |
| 90-day Commercial Paper | 7.50 | 7.60 | 7.60 | 9.20 | 7.00 |

**US BOND PRICES AND YIELDS (%)**

| | Last Friday | Change on week | Yield | 1 week ago | 4 wks ago |
|---|---|---|---|---|---|
| Seven-year Treasury | 103⅝ | +2⅛ | 8.03 | 8.38 | 8.93 |
| 20-year Treasury | 108⅝ | +4⅛ | 8.26 | 8.82 | 9.42 |
| 30-year Treasury | 110⅞ | +4½ | 8.28 | 8.70 | 9.35 |
| New 10-year "A" Financial | n/a | +2⅝ | 8.80 | 9.25 | 9.85 |
| New "AA" Long utility | n/a | +3⅝ | 9.13 | 9.50 | 10.40 |
| New "AA" Long Industrial | n/a | +5 | 9.00 | 9.50 | 10.38 |

Source: Salomon Bros (estimates).

Money Supply: In the week ended February 17 M1 fell by $600m to $630.6bn.

While Mr Volcker also repeated his concerns that a precipitous decline in the dollar could frighten away foreign investors and could still undo the positive impact on inflation of declining oil prices, it is clear that the US market, for the moment, put more weight on the positive repercussions of lower energy prices.

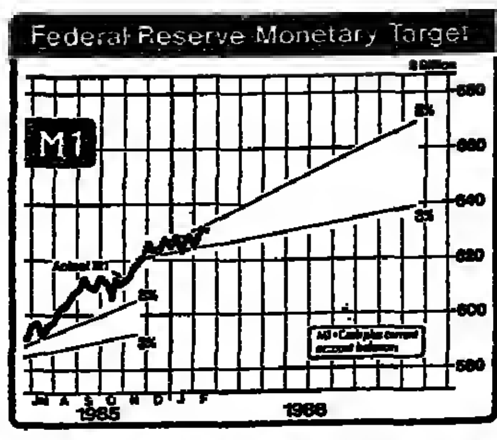
In the bond market investors, including a substantial foreign contingent, pushed the yield on the 30-year long bond as low as 8.09 per cent on Friday morning—a level not seen since 1978—before profit-takers took their end-week and end-month cuts and stepped in to halt the price run-up.

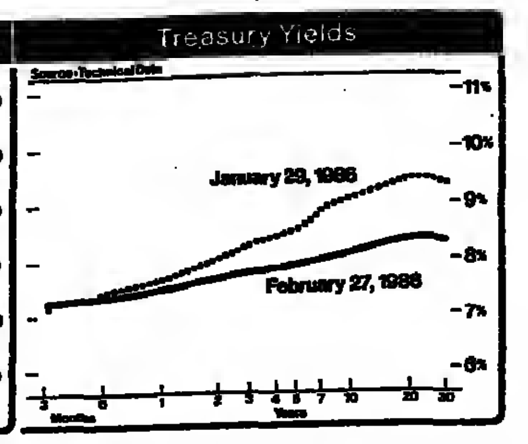
Nevertheless, the Treasury long bond still managed to cling on to some of its Friday gains and ended the week 4½ points higher at 110⅞ to yield 8.28 per cent. Just a month ago the long bond was yielding 9.36 per cent and only crashed the 10 per cent barrier as recently as mid-November. The scale of advance—and the fact that investors still appear willing to step out along the maturity spectrum for only modestly higher returns—highlights the underlying bullish mood of the market.

The rally in longer maturities, set against near static short-term rates and a still firm fed funds rate, has carried long-term yields to within 110 basis points of three month rates on a bond equivalent basis. This compares with an average gap of 295 basis points over the past 12 months.

The yield curve between Treasury long bonds and three months T-bills narrowed by 50 basis points last week. Overall the yield curve flattened almost as much in February as in the preceding 3½-month rally. Since mid-October the spread between bonds and bills has narrowed by nearly 70 per cent.

Dr Henry Kaufman, Salomon Brothers' senior economist notes: "The rapidity of the drop in yields reflects a crystallisation of substantially improved inflation expectations. This suggests that the market participants regard the near-term impact of oil and other commodity price deflation as far more important than any longer-term potentially harmful price effects of a falling dollar and weak productivity."




The last time long bond yields reached current lows was in the spring of 1978 when, in contrast to the current position, short-term rates were rising and the yield curve was on the point of inverting. This time around Dr Kaufman notes: "The Fed funds rate has been the one constant in this period. It is unclear to what extent, if any, the rally reflects investor expectations of easier monetary policy. On that score, the economy, the US dollar and long-term price stability remain the key determinants of the Federal Reserve's stance, even with an improving inflationary outlook. Therefore, easing is unlikely in the absence of either disappointing economic performance or the removal of constraints created by dollar weakness."

In the absence of an overt Fed easing—the Fed did inject reserves through a succession of large customer repurchase agreements last week—the key question for the US markets is whether the explosive rally can continue.

Last week's explosive rally also prompted an unprecedented deluge of corporate new issues. With corporate bond prices advancing by up to five full points and new yield levels plunging by 35 to 50 basis points a record $9.55bn in new fixed income securities were brought to market according to First Boston figures. Traditional long-term issues represented about half the total with the rest including over $1.5bn in mortgage-related debt and about $2bn of convertible debt securities.

Last week's new corporate issues brought the year-to-date total to $29.5bn—almost triple the total in the first two months of last year.

**Paul Taylor**

## UK GILTS

# Yields likely to stay under the 10% barrier

THE UK gilts market advanced strongly throughout last week, with gains of up to 2 points at the longer end, despite a nervous spell for sterling. Shorter yields have dropped by more than a full percentage point in the course of February and the FT Actuaries high coupon 25-year yield fell from 10.67 per cent at the start of the month to 9.94 per cent by the end.

The move through the 10 per cent yield barrier was reinforced when the Bank of England took the opportunity to come out with the first tap stock since 1973 to be issued with a single figure yield. The £800m tranche of 9¾ per cent Conversion 2005 sold out immediately at a premium of ½ point, giving a yield of 9.88 per cent, and the Bank made little attempt to discourage the view that it felt these yield levels are here to stay.

Like the last two taps, the new tranche is in partly paid form, adding weight to the evidence of January's public sector borrowing requirement figures that the Government has very little need for funding in the current financial year.

The calls on these three partly paid taps will provide £2bn of funding in the first quarter of fiscal 1986-87, although this will be offset by £3.75bn of stock coming up for redemption. Even without any immediate need for funding, the Government broker must be tempted to continue to take advantage of the current firmness of the market.

The market, in turn, has been tempted to take advantage of the partly paid stocks to provide gearing in a rising market, with the added attraction of a downward sloping yield curve which allows profitable investment of the future instalments in the money markets.

The strength of the UK gilts market in the past week owes much to the buoyancy of overseas bond markets, which have been breaking through yield barriers of their own. Not only did the Treasury long bond yield plunge last month through 9 per cent, but German bonds have also been making their mark.

Many dealers expect that the new Federal Government bond to be issued today will carry a coupon of 6 per cent, the lowest for 10-year federal paper since 1977, and some believe this will presage a cut in the discount rate after the Bundesbank's meeting on Thursday.

Mr Peter Fellner, gilt and monetary economist at stockbroker James Capel & Co, believes that the international dimension has now entered the London market.

"The concentration had been very much on the negative effects of the falling oil price on the Chancellor's fiscal arithmetic," he said. "It has now switched to a less parochial and more optimistic view on world interest rates."

This change of focus may help the move towards lower short-term interest rates, but there remain many obstacles to be overcome. Recent UK monetary data have been so good that there is considerable potential for a rebound; next week's money supply figures, for instance, could show a resurgence of bank lending.

Oil, too, remains a problem especially with the Opec meeting looming just before a Budget that the markets are by no means sure to greet with approval.

This was rubbed home on Friday when sterling fell sharply against the dollar and still more sharply against the D-Mark. Although the Treasury on Friday dismissed the plunge as "chartist inspired," the extent of the pound's decline against the German currency is now causing concern at the Bank of England.

Mr Fellner feels these factors demand caution. "The move to single figure yields has come a lot quicker than people expected, but we still need a satisfactory Opec meeting and a satisfactory Budget just to stay where we are," he says. "We are a lot more vulnerable at 9.9 per cent than we were at 10.5 per cent."

**George Graham**



## FT/AIBD INTERNATIONAL BOND SERVICE

| US DOLLAR STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| HFC O/S Fin 11¼ 94 | 100 | 106⅝ | −0⅛ | 10.56 |
| IOC 11 89 | 75 | 107 | +0⅛ | 8.22 |
| Alcan Australia 8½ 89 | 25 | 97⅛ | +1 | 9.38 |
| Amer Savings 12 89 | 125 | 104⅝ | +0⅛ | 10.20 |
| Amer Savings 12½ 89 | 100 | 105½ | +0⅛ | 10.19 |
| Asian Dev Bk 11¼ 93 | 100 | 112⅛ | +1⅛ | 9.34 |
| Australia 11¼ 90 | 100 | 111⅛ | +0⅛ | 9.24 |
| Australia 11¼ 95 | 300 | 116⅝ | +2⅝ | 8.88 |
| Australia 11¼ 99 | 100 | 120⅝ | +3⅛ | 9.84 |
| Austria 15½ 88 | 75 | 112⅝ | +0⅛ | 8.59 |
| Avon Fin 10⅝ 92 | 100 | 100⅞ | +0⅛ | 10.06 |
| Bk Nova Scotia 13⅜ 87 | 100 | 106⅝ | 0 | 8.71 |
| Bank of Tokyo 12¾ 92 | 100 | 112½ | +1⅛ | 9.52 |
| Bank of Tokyo 13⅜ 91 | 100 | 119⅞ | +1½ | 8.78 |
| Bank of Tokyo 13⅞ 89 | 100 | 115⅛ | +0⅝ | 8.67 |
| BMW O/S Ents 10⅛ 91 | 50 | 106½ | +0⅛ | 9.00 |
| BP Capital 11¼ 92 | 150 | 108⅝ | +0⅛ | 9.23 |
| Br Col Hydro 11¼ 93 | 200 | 114⅝ | +0⅛ | 9.00 |
| Br Col Hydro 12½ 14 | 200 | 122½ | +0⅛ | 10.33 |
| Br Col Hydro 12½ 13 | 250 | 127⅛ | +4⅞ | 9.90 |
| Britoil Fin 11¼ 90 | 125 | 105½ | −0⅛ | 10.05 |
| Caisse Nat En 11¼ 95 | 125 | 116⅛ | +2 | 9.04 |
| Canada 10⅝ 88 | 500 | 106⅝ | +0⅛ | 8.17 |
| CBS Inc 11½ 92 | 100 | 104⅞ | 0 | 10.34 |
| Centrust S & L 0 10 | 1.2bn | 10⅛ | +1⅛ | 9.89 |
| Chesebrough 12 88 | 100 | 107⅛ | +1⅛ | 10.49 |
| Chubb Elec Pwr 13⅞ 01 | 50 | 112 | +0⅛ | 10.28 |
| Citicorp O/S 10⅛ 90 | 100 | 102 | +0⅛ | 8.75 |
| Citicorp O/S 11⅛ 90 | 100 | 104½ | +0⅛ | 10.46 |
| Citicorp 11⅛ 92 | 100 | 106 | −0⅛ | 10.34 |
| Citicorp 11⅛ 97 | 200 | 107⅛ | +0⅛ | 10.62 |
| Citicorp O/S 14 94 | 100 | 101⅛ | +0⅛ | 13.59 |
| CNCA 11¼ 92 | 125 | 111⅞ | +1⅛ | 8.89 |
| CNCA 13⅜ 91 | 100 | 117⅛ | +0⅛ | 8.99 |
| Coastied Int 12⅞ 88 | 125 | 106⅝ | +0⅛ | 9.57 |
| Coca-Cola 11½ 88 | 100 | 107½ | +0⅛ | 9.20 |
| Co Fn de Paris 13⅜ 89 | 100 | 108⅛ | 0 | 10.90 |
| Continental Grp 11⅛ 93 | 75 | 102⅛ | +1⅛ | 11.04 |
| Creditanstalt 13⅜ 91 | 100 | 114⅛ | −1 | 9.49 |
| Dai-Ichi Kangyo 12⅞ 90 | 100 | 112⅛ | +0⅛ | 8.75 |
| Denmark 10⅞ 90 | 100 | 103⅛ | +0⅛ | 9.89 |
| Denmark 11¼ 92 | 100 | 111 | +0⅞ | 9.08 |
| Denmark 12⅛ 92 | 250 | 101⅞ | +0⅛ | 12.32 |
| Denmark 13 91 | 100 | 116 | +0⅛ | 9.03 |
| Denmark 13 92 | 100 | 101½ | −0⅛ | 12.56 |
| Denmark 13⅜ 91 | 100 | 117⅛ | +1⅛ | 8.15 |
| Denmark 13⅞ 88 | 100 | 111 | +0⅛ | 8.71 |
| Denmark 14 91 | 100 | 111 | +0½ | 11.18 |
| Digital Equip 11½ 89 | 150 | 108⅝ | +1⅛ | 8.45 |
| Dutch St Mines 11½ 91 | 150 | 105⅝ | +0⅛ | 10.05 |
| Eksportfinans 11¼ 92 | 100 | 110⅞ | +1⅛ | 9.86 |
| Eksportfinans 11¼ 90 | 100 | 107⅛ | +0⅛ | 9.47 |
| Elec de France 11¼ 93 | 100 | 112 | +1⅛ | 8.79 |
| Elec de France 12⅛ 87 | 150 | 106½ | 0 | 9.35 |
| EEC 11 87 | 300 | 103⅛ | +0⅛ | 8.26 |
| EEC 11¼ 90 | 100 | 108⅛ | +0⅛ | 9.41 |
| EEC 12 93 | 100 | 116⅛ | +1⅛ | 8.89 |
| Elf-Aquitaine 10⅛ 89 | 100 | 104⅞ | +0⅛ | 8.87 |
| Ericsson L M 10⅛ 88 | 100 | 102⅝ | +0⅛ | 9.17 |
| Euro Inv Bk 11¼ 90 | 200 | 110⅞ | +0⅛ | 8.83 |
| Euro Inv Bk 11¼ 91 | 75 | 107⅞ | +0½ | 9.54 |
| Euro Inv Bk 12½ 90 | 100 | 113⅛ | +0⅛ | 8.53 |
| EDC 9⅝ 88 | 200 | 103⅛ | +0⅛ | 0.48 |
| EDC 10 88 | 125 | 103⅛ | +0⅛ | 8.29 |
| EDC 10⅛ 88 | 100 | 104⅛ | +0⅛ | 8.24 |
| EDC 11¼ 89 | 150 | 107⅛ | +0½ | 8.22 |
| EDC 12 93 | 100 | 110⅝ | +0⅛ | 8.51 |
| EDC 13⅜ 87 | 100 | 107 | +0⅛ | 9.29 |
| Fed Dept Store 11 90 | 100 | 107⅛ | +0⅞ | 8.74 |
| Finland 11¼ 88 | 100 | 105⅝ | +0⅛ | 8.28 |
| Finland 12⅛ 94 | 79 | 118⅝ | +2⅛ | 9.08 |
| Finnish Export 12⅝ 87 | 75 | 106½ | +0⅛ | 9.36 |
| Firstfed Mich 13⅝ 89 | 125 | 109⅝ | +0⅛ | 9.71 |
| Florida Fed 12⅞ 89 | 100 | 105⅝ | +0⅛ | 10.30 |
| FNMA 11¼ 81 | 300 | 110 | +0⅛ | 9.20 |
| Gen Elec Cred 0 96 | 600 | 42⅛ | +1⅛ | 8.59 |
| Gen Elec Cred 9⅝ 91 | 100 | 103½ | +0⅛ | 8.81 |
| Gen Elec Cred 10⅝ 90 | 200 | 104⅛ | +0⅛ | 9.79 |
| Gen Elec Cred 11 91 | 200 | 105⅞ | 0 | 9.49 |
| Gen Elec Cred 11⅛ 87 | 200 | 104⅛ | +0⅛ | 10.84 |
| Gen Elec Cred 12 94 | 200 | 109⅛ | −0⅛ | 10.24 |
| Gen Foods Cap 11⅛ 90 | 75 | 106⅛ | 0 | 9.58 |
| General Mills 12 91 | 100 | 108⅛ | 0 | 9.95 |
| GMAC 10 88 | 200 | 102⅝ | 0 | 8.57 |
| Gen Motors Acc 10½ 90 | 200 | 104 | +0½ | 9.25 |
| Gen Motors Acc 11⅛ 90 | 100 | 106⅛ | +0⅛ | 9.64 |
| GMAC O/S Fin 15⅛ 87 | 100 | 101½ | +0⅛ | 11.38 |
| GTE Finance 12 96 | 75 | 102⅛ | 0 | 11.61 |
| Gulf Oil 10⅞ 94 | 100 | 101⅛ | +0⅛ | 10.00 |
| GZB 14 91 | 100 | 117⅛ | +0⅛ | 9.67 |
| Hell Air Fin 12⅛ 91 | 100 | 105⅝ | 0 | 10.75 |
| Household Fin 11¼ 92 | 100 | 107⅛ | +0⅛ | 9.95 |
| IBM 9⅝ 89 | 200 | 102⅛ | +0⅛ | 9.32 |
| IBM (WTC) 10⅝ 89 | 300 | 104⅛ | +0⅛ | 8.91 |
| IBM Credit 11 89 | 100 | 104⅛ | −0⅛ | 9.55 |
| IC Industries 8⅝ 87 | 35 | 99⅛ | +0⅛ | 9.29 |
| IC Industries 12 90 | 75 | 105⅞ | +0½ | 10.21 |
| Inco 9 92 | 100 | 96⅛ | +1 | 9.78 |
| Ind Bk Japan 10⅝ 92 | 100 | 106⅛ | +0½ | 9.30 |
| Ind Bk Japan 10⅞ 90 | 100 | 106⅛ | +0⅛ | 9.77 |
| Ind Bk Japan 11¼ 89 | 125 | 108⅝ | +1⅛ | 8.18 |
| Ind Bk Japan 11⅞ 91 | 100 | 111⅛ | +0⅛ | 9.12 |
| Int-Amer Dev 12⅛ 81 | 150 | 116 | +0⅛ | 9.01 |
| Int-Amer Dev 11⅛ 94 | 200 | 114⅛ | 0 | 9.36 |
| Int Paper 12 91 | 75 | 105⅝ | +0⅛ | 10.56 |
| Int Stand Elec 0 97 | 112 | 32⅛ | +1⅛ | 10.82 |
| Int Stand Elec 12 95 | 75 | 106⅛ | +1⅛ | 10.89 |
| ITT 11¼ 89 | 125 | 106⅛ | +0⅛ | 9.46 |
| ITT Credit Corp 10½ 90 | 75 | 104⅛ | +0⅛ | 9.16 |
| Japan Airlines 12½ 94 | 70 | 115⅛ | +0⅛ | 9.66 |
| Japan Dev Bk 10⅝ 92 | 50 | 105⅛ | +0½ | 8.37 |
| Kellogg Co 10⅞ 90 | 100 | 105⅛ | +0⅛ | 8.21 |
| Kellogg Co 11¼ 92 | 100 | 107⅛ | +0⅛ | 9.55 |
| Kimberley-Clark 12 94 | 100 | 115⅛ | +1⅛ | 8.28 |
| Kyowa Fin HK 12⅛ 90 | 100 | 113⅛ | +0⅛ | 8.96 |
| Long Term Cred 10⅛ 90 | 100 | 106½ | +0½ | 8.81 |
| Long Term Cred 11 90 | 100 | 107⅛ | +0⅞ | 9.78 |
| Long Term Cred 11⅞ 89 | 100 | 108⅛ | +0⅞ | 8.57 |
| Long Term Cred 12 93 | 100 | 115⅝ | +2 | 9.93 |
| Macy R H 11⅛ 91 | 100 | 103⅛ | +0⅛ | 10.86 |
| Macy R H 11⅛ 95 | 100 | 102⅞ | +0⅛ | 11.23 |
| Manitoba 14⅛ 91 | 150 | 124⅛ | +1⅛ | 9.18 |
| Marubeni 11¼ 91 | 100 | 100 | +0⅛ | 8.96 |
| McDonalds Fin 11½ 94 | 75 | 107⅛ | 0 | 10.19 |
| Merrill Lynch 12⅝ 94 | 100 | 113 | +0⅛ | 9.85 |
| Michelin 10 94 | 125 | 99½ | +0⅛ | 10.09 |
| Mitsubishi Cp 10⅝ 92 | 100 | 104⅞ | +0⅛ | 8.41 |
| Mitsubishi Co 10⅝ 95 | 200 | 100⅛ | +1⅛ | 9.59 |
| Mitsubishi Co 12¼ 81 | 100 | 115⅞ | +0⅛ | 8.57 |
| Mitsubishi Est 11¼ 88 | 50 | 105⅛ | 0 | 8.57 |
| Mitsui Eng 7⅝ 89 | 50 | 112⅛ | +1⅛ | 2.28 |
| Mitsui Fin 12⅛ 92 | 100 | 0 | | |
| Mitsui Tst Fin 12 91 | 100 | 112⅛ | +1⅛ | 8.79 |
| Mobil Corp 10⅝ 90 | 200 | 103⅛ | +0⅛ | 8.32 |
| Montreal City 12⅛ 91 | 70 | 110½ | +0⅛ | 9.79 |
| Mgn Guaranty 12⅝ 89 | 150 | 109 | +0⅛ | 9.87 |
| Morgan J P 11¼ 92 | 100 | 107⅛ | +0⅛ | 9.61 |
| Mount Isa Fin 13⅛ 87 | 100 | 106⅛ | +0⅛ | 8.63 |
| Ned Gasunie 11⅛ 90 | 75 | 107⅛ | +0⅛ | 9.13 |
| Ned Gasunie 11⅛ 91 | 75 | 106⅛ | −0⅛ | 9.90 |
| N Eng Lf Mtg 11⅛ 96 | 149 | 111⅞ | +1⅛ | 9.80 |
| Newfoundland 13 91 | 75 | 112⅛ | +0⅛ | 9.88 |
| Nippon Crd Bk 13⅞ 89 | 100 | 114⅛ | +0⅛ | 9.76 |
| Nippon Tel Tel 11¼ 90 | 100 | 112⅛ | +0⅛ | 7.65 |
| Nippon Tel Tel 12⅛ 91 | 100 | 117⅛ | +0⅞ | 9.62 |
| Nissho-Iwai 6⅝ 89 | 70 | 124⅛ | +7⅛ | −1.63 |
| Nomura 6⅝ 88 | 100 | 218⅛ | +16½ | 0.00 |
| Nova Scotia 11¼ 91 | 100 | 106⅞ | −0⅛ | 9.92 |
| Nova Scotia 11¼ 93 | 100 | 111⅛ | +0⅝ | 10.02 |
| Oester Post 12⅛ 89 | 75 | 108⅛ | +0⅞ | 8.78 |
| Ohbayashi-Gumi 7⅛ 89 | 50 | 179 | +4⅛ | 0.00 |
| Ontario Hydro 11⅝ 94 | 200 | 115⅛ | +1⅛ | 9.82 |
| Ontario Hydro 11⅛ 90 | 200 | 111⅛ | +0½ | 9.65 |
| Ontario 12⅛ 94 | 250 | 120⅛ | +2⅛ | 9.14 |
| Pacific Gas & El 12 00 | 75 | 110⅛ | +0⅛ | 10.57 |
| Penney J C 11⅞ 90 | 100 | 104⅞ | 0 | 10.46 |
| Penney J C 12⅛ 91 | 100 | 110⅛ | +0⅛ | 10.18 |
| Phillips Petrol 14 89 | 200 | 102⅛ | 0 | 13.06 |
| Postipankki 11¼ 90 | 75 | 100 | +0⅛ | 9.25 |
| Post-Och Kred 13⅛ 87 | 50 | 106⅞ | 0 | 8.65 |
| Privatbanken 12½ 95 | 100 | 116⅛ | +2⅛ | 9.70 |
| Prudential Ins 12⅛ 87 | 150 | 100⅛ | +0⅛ | 8.40 |
| Pru Rlty Secs 0 99 | 395 | 32⅛ | +1 | 9.21 |
| Pru Rlty Secs 11⅛ 92 | 395 | 108⅛ | +0⅛ | 9.91 |
| Pru Rlty Secs 12⅛ 95 | 545 | 112⅛ | +0⅛ | 9.92 |
| Quebec Prov 12⅛ 94 | 150 | 112⅛ | +0⅞ | 9.90 |
| Queensland Gvt 11⅛ 89 | 100 | 108⅛ | +0⅛ | 8.72 |
| RBC 11¼ 90 | 100 | 106½ | +0⅞ | 9.18 |
| Rural Bk Aust 12 91 | 50 | 107 | −0½ | 10.18 |
| Sanwa Bank 11⅛ 92 | 150 | 111½ | +0⅝ | 8.26 |
| Saskatchewan 10⅝ 92 | 100 | 108⅛ | +1 | 9.83 |
| Saskatchewan 10⅛ 90 | 125 | 107⅛ | +0½ | 8.56 |
| Saskatchewan 11⅛ 99 | 100 | 110⅛ | +0⅛ | 8.57 |
| Saskatchewan 18 92 | 150 | 127⅛ | +1⅛ | 9.23 |
| Saskatchewan 18 89 | 125 | 118⅝ | +0⅛ | 8.79 |
| Scot Intl Fin 14⅛ 96 | 50 | 118 | +1½ | 11.50 |
| Sears O/S Fin 0 99 | 500 | 32½ | +0⅞ | 0.51 |
| Sears Roebuck 10½ 91 | 150 | 104⅛ | +0⅛ | 9.34 |
| Sears Roebuck 11⅛ 81 | 150 | 110⅛ | +0½ | 9.91 |
| Sec Pacific 12 92 | 100 | 113⅛ | +1½ | 9.00 |
| Shearson/Amex 12⅞ 94 | 100 | 110⅛ | +1⅛ | 10.20 |
| Shell (Canada) 14⅝ 92 | 125 | 114⅛ | +0⅛ | 11.06 |
| Signal Comps 11⅛ 92 | 125 | 108⅝ | +0⅛ | 8.78 |
| Standard Oil 10⅞ 89 | 150 | 102½ | 0 | 8.46 |
| Statoil 12 89 | 100 | 107⅛ | +0⅛ | 9.18 |
| Sumitomo Corp 10⅝ 92 | 100 | 106½ | +0⅛ | 9.40 |
| Sumitomo Fin 11⅛ 92 | 150 | 111⅛ | +0⅛ | 9.23 |
| Sumitomo Fin 12⅛ 91 | 150 | 115⅛ | +1⅛ | 9.98 |
| Sumitomo Trust 12⅛ 92 | 100 | 114⅛ | +1⅛ | 9.30 |
| Sweden 11⅛ 89 | 200 | 108⅛ | +0⅛ | 8.52 |
| Sweden 12½ 88 | 200 | 110½ | +0⅛ | 8.44 |
| Swedish Export 10⅝ 88 | 100 | 104⅛ | 0 | 9.86 |
| Swedish Export 11⅛ 88 | 100 | 107½ | +0⅛ | 8.51 |
| Swedish Export 12⅛ 88 | 100 | 109⅛ | +0⅛ | 8.47 |
| Taiyo Kobe 11⅛ 90 | 100 | 109 | −0⅛ | 9.19 |
| Taiyo Kobe 12 90 | 100 | 111⅛ | +0⅛ | 9.04 |
| Tenneco Corp 11⅛ 89 | 150 | 105½ | +0⅛ | 9.22 |
| Texaco Capital 10½ 90 | 200 | 93⅞ | +2⅛ | 12.28 |
| Texaco Capital 10⅝ 93 | 200 | 99⅛ | 0 | 10.84 |
| Texaco Capital 13½ 89 | 200 | 104½ | +0⅛ | 11.92 |
| Texas Instru 11⅛ 91 | 150 | 105⅝ | +0⅛ | 10.36 |
| Tokai Asia 12⅞ 91 | 100 | 111⅛ | +0⅝ | 9.20 |
| Tokyo Elec Pr 13⅛ 89 | 100 | 111 | +0⅛ | 9.42 |
| Tokyo Metrop 12⅛ 94 | 50 | 118⅛ | +0⅝ | 9.92 |
| Toray Inds 11⅛ 92 | 50 | 105⅛ | +2⅛ | 8.80 |
| Toronto-Dom 12⅝ 88 | 50 | 109⅝ | +0⅝ | 9.30 |
| UBS 12⅛ 91 | 100 | 108⅛ | 0 | 10.14 |
| Utd Tech 11⅛ 92 | 150 | 110⅛ | +1½ | 8.84 |
| Veba 0 90 | 70 | 209½ | +5½ | 0.00 |
| West LB 11⅛ 90 | 100 | 110 | +0⅝ | 9.21 |
| Westpac 12⅝ 92 | 100 | 114 | +1½ | 9.43 |
| Weyerhaeuser 11½ 90 | 60 | 104⅛ | +0⅛ | 10.32 |
| World Bk 11 82 | 300 | 110⅝ | +1⅛ | 8.83 |
| World Bk 11⅛ 90 | 200 | 110 | +0⅛ | 8.86 |
| World Bk 11⅛ 88 | 200 | 107⅞ | +0½ | 8.24 |
| World Bk 12 93 | 200 | 116½ | +1⅛ | 0.38 |
| World Bk 12⅛ 94 | 150 | 118⅝ | +1½ | 9.03 |
| World Bk 12⅞ 94 | 200 | 122 | +1⅛ | 9.04 |
| Yasuda Trust 12⅝ 89 | 100 | 109½ | +0½ | 8.78 |

| FLOATING RATE NOTES | Issued | Price | Chg. on week | C.cpn |
|---|---|---|---|---|
| African Dev Bk ⅛ 96 | 100 | 100 | 0 | 8⅞ |
| Arab Bank Corp ⅛ 98 | 100 | 99⅛ | +0⅛ | 8¹¹⁄₁₆ |
| Banca Lavoro ⅛ 91 | 100 | 100 | +0⅛ | 8⅞ |
| Banco di Roma ⅛ 89 | 150 | 100 | 0 | 8⅝ |
| Bnco di Roma ⅛ 92 CU | 75 | 99⅝ | 0 | 10⅝ |
| Bankers Tr NY ⅛ 94 | 200 | 100⅛ | 0 | 8⅛ |
| Bank of Greece ⅛ 94 | 150 | 98⅛ | +0⅛ | 8⅞ |
| Bk Montreal ⅛ 94 £ | 100 | 100⅛ | 0 | 11⅛ |
| Bqe Nat Paris ⅛ 88 | 400 | 101 | 0 | 8½ |
| Bqe Nat Paris ⅛ 95 | 400 | 101 | −0⅛ | 8⅛ |
| Bqe Nat Paris ⅛ 96 | 250 | 100⅛ | 0 | 9⅛ |
| Barclays O/S ⅛† | 600 | 100⅛ | 0 | 8⅛ |
| BBL ⅛ 95 | 100 | 100⅛ | 0 | 8⅝ |
| BBL ⅛ 99 | 100 | 100⅞ | +0⅛ | 8⅛ |
| BCI ⅛ 99 | 300 | 100⅛ | 0 | 9⅛ |
| BFCE ⅛ 97 | 400 | 99½ | +0⅛ | 8⅝ |
| BFCE ⅛ 99 | 600 | 100⅛ | 0 | 8⅝ |
| Belgium ⅛ 04 | 400 | 100 | 0 | 8⅛ |
| CCCE ⅛ 05 | 200 | 100⅛ | 0 | 8⅛ |
| CEPME ⅛ 96 £ | 100 | 100⅛ | +0⅛ | 11⅛ |
| Ch Manhattan ⅛ 09 | 400 | 99⅞ | −0⅛ | 8⅞ |
| Chemical NY ⅛ 89 | 300 | 99⅝ | 0 | 8⅞ |
| Citicorp O/S ⅛ 91 £ | 100 | 96⅛ | 0 | 12¹³⁄₁₆ |
| Citicorp O/S ⅛ 95 | 250 | 98½ | +0⅛ | 7¹³⁄₁₆ |
| Citicorp Psn Pas ⅛ 87 | 250 | 99⅞ | −0⅛ | 8⅛ |
| Commerzbank ⅛ 88 | 150 | 100⅛ | 0 | 8⅛ |
| Creditanstalt ⅛ 98 | 150 | 100⅛ | 0 | 8⅛ |
| Credit Comm ⅛ 95 | 100 | | | 8⅛ |
| Credit Foncier ⅞ 00 £ | 100 | 100⅛ | 0 | 13⅛ |
| Credit Lyonnais ⅛ 96 | 300 | 100⅛ | 0 | 8⅛ |
| Credit Lyonnais ⅛ 98 | 250 | 100⅛ | 0 | 8⅛ |
| Credit National ⅛ 95 £ | 100 | 100⅛ | +0⅛ | 11⅞ |
| Dai-Ichi Kangyo ⅛ 96 | 150 | 100⅛ | 0 | 8⅛ |
| Den Danske Bank ⅛ 89 | 30 | 100 | 0 | 8⅛ |
| Denmark ⅛ 90 | 500 | 100⅛ | 0 | 8⅝ |
| Denmark ⅛ 95 | 250 | 103⅛ | 0 | 10 |
| Eldorado Nuke 89 | 100 | 99⅛ | +0⅛ | 8 |
| Elec de France ⅛ 89 | 400 | 101 | +0⅝ | 8⅛ |
| ENEL ½ 93 £ | 100 | 100⅛ | +0½ | 12⅛ |
| Exterior Int ⅛ 96 | 125 | 100⅛ | +0⅛ | 8⅝ |
| Ferro del Stat ⅛ 89 | 100 | 100⅛ | 0 | 8⅛ |
| Ferro del Stat 97 | 420 | 99⅛ | 0 | 8⅛ |
| Fiat Finance ⅛ 94 | 100 | 100½ | 0 | 8⅛ |
| First Chicago ⅛ 94 | 100 | 99⅛ | −0⅛ | 8⅛ |
| First Chicago ⅛ 97 | 200 | 98⅛ | 0 | 8⅛ |
| Ford Motor Cr ⅛ 91 | 200 | 99⅞ | 0 | 8⅛ |
| GW O/S Fin ⅛ 94 | 100 | 99⅛ | +0⅛ | 8⅛ |
| Grindlays ⅛ 94 | 100 | 100⅛ | 0 | 8⅛ |
| Interfirst Tex ⅛ 89 | 100 | 95⅛ | 0 | 9⅛ |
| Ireland ⅛ 89 | 50 | 100 | 0 | 8⅛ |
| Ireland ⅛ 93 £ | 50 | 100⅛ | 0 | 13⅛ |
| Ireland ⅛ 94 | 300 | 100⅛ | 0 | 0⅛ |
| Ireland ⅛ 96 £ | 100 | 100 | 0 | 11¹³⁄₁₆ |
| Ireland ⅛ 97 | 300 | 100⅛ | +0⅛ | 8⅛ |
| Ireland ⅛ 99 | 300 | 100⅛ | 0 | 8¹¹⁄₁₆ |
| Italy ⅛ 94 | 1bn | 100 | 0 | 8⅛ |
| Italy ⅛ 99 | 500 | 100⅛ | 0 | 9⅛ |
| Kleinwort Benson ⅛ 96 | 100 | 100⅛ | +0⅛ | 8½ |
| Korea Dev Bk ½ 00 | 100 | 98⅛ | 0 | 9½ |
| Lincoln S & L ⅛ 99 | 100 | 99⅛ | −0⅛ | 8⅛ |
| Malaysia ⅛ 93 | 500 | 100 | 0 | 8⅛ |
| Malaysia ⅛ 94 | 600 | 99 | −0⅛ | 8⅛ |
| Man Hanover ⅛ 94 £ | 75 | 98⅛ | 0 | 12¹¹⁄₁₆ |
| Marine Midland ⅛ 94 | 125 | 99⅞ | −0⅛ | 8⅛ |
| Marine Midland ⅛ 96 | 125 | 99⅝ | −0⅛ | 8⅛ |
| Marine Midland ⅛ 09 | 150 | 100 | 0 | 8⅛ |
| Mellon Bank ⅛ 96 | 250 | 100 | 0 | 8⅛ |
| Midland Intl ⅛ 99 | 200 | 100⅛ | 0 | 8⅞ |
| Mitsui Fin ⅛ 95 | 100 | 100⅛ | 0 | 9⅛ |
| Morgan Grenfell ⅛ 94 | 50 | 99⅛ | +0⅛ | 8⅛ |
| Mtg Intermed ⅛ 10 £ | 80 | 100½ | +0⅛ | 12 |
| Nat Bank Canada ⅛ 91 | 50 | 100⅛ | 0 | 8⅞ |
| NatWest ⅛ 00 | 400 | 100⅛ | −0⅛ | 8⅞ |
| NatWest Fin ⅛† | 300 | 100⅛ | 0 | 8⅛ |
| Neste Oy ⅛ 94 | 100 | 100⅛ | +0½ | 8⅛ |
| New Zealand ⅛ 87 | 350 | 100½ | +0⅛ | 8½ |
| NZ Steel Corp ⅛ 92 | 225 | 100⅛ | 0 | 9⅛ |
| Oster Ln Bank ⅛ 99 | 100 | 100⅛ | 0 | 9⅞ |
| Oka Bank ⅛ 92 | 50 | | | 9⅛ |
| Portugal ⅛ 92 | 100 | 100 | 0 | 8⅛ |
| Queensland Coal ⅛ 96 | 395 | 100⅛ | 0 | 8⅛ |
| Renfe ⅛ 91 | 100 | 100 | +0⅛ | 8⅛ |
| Sanwa Intl Fin ⅛ 92 | 150 | 98⅛ | 0 | 8⅛ |
| SEAT ⅛ 93 | 100 | 100 | +0⅞ | 8⅛ |
| Security Pac ⅛ 87 | 250 | 99⅛ | −0⅛ | 8⅛ |
| Skopbank ⅛ 94 | 75 | | | 8⅛ |
| SNCF ⅛ 93 £ | 75 | 101⅛ | +0⅛ | 13⅛ |
| Soc Generale ⅛ 97 | 400 | 100⅛ | 0 | 5⅛ |
| Soc Generale ⅛ 94 | 250 | 100⅛ | 0 | 8¹¹⁄₁₆ |
| Spain ⅛ 99 | 900 | 100 | 0 | 8⅛ |
| Spain ⅛ 97 | 250 | 100⅛ | −0⅛ | 8⅛ |
| Standard Chart ⅛ 94 | 200 | 100⅛ | 0 | 8⅛ |
| Sumitomo Trust ⅛ 94 | 100 | 100½ | 0 | 8⅞ |
| Sweden ⅛ 89 | 500 | 99⅛ | 0 | 9⅛ |
| Sweden 90 | 700 | 99⅛ | +0⅞ | 7⅞ |
| Sweden ⅛ 24 | 500 | | | 9⅞ |
| Swedish Ex Cred ⅛ 92 | 125 | 104 | 0 | 10 |
| Thailand ⅛ 95 | 60 | 98⅛ | 0 | 8⅛ |
| Tokai Asia ⅛ 99 | 150 | 100⅛ | 0 | 8⅛ |
| Toyo Trust Asia ⅛ 99 | 100 | 100⅛ | 0 | 8⅛ |
| TVO Power ⅛ 04 | 100 | | | 8⅛ |
| Union Bank-Norw ⅛ 89 | 50 | 99 | +0⅛ | 8⅞ |
| United Kingdom 92 | 2.5bn | 100 | 0 | 7¹³⁄₁₆ |
| Wells Fargo ⅛ 94 | 150 | 99 | −0⅛ | 0⅛ |
| Wells Fargo MM ⅛ 96 | 50 | 89 | 0 | 8⅛ |
| Yorkshire Int ⅛ 94 £ | 75 | 99⅞ | 0 | 12⅛ |

| CONVERTIBLE BONDS | Issued | Price | Chg. on week | Prem. |
|---|---|---|---|---|
| Ajinomoto 3 99 | 120 | 176⅛ | +15⅛ | 0.26 |
| Best Denki 5⅛ 97 | 15 | 233 | 0 | 28.78 |
| Casio 7 97 | 50 | 286½ | +28 | |
| Daiwa Secs 5½ 98 | 60 | 224⅞ | −1⅛ | −2.55 |
| Dev Bank Sing 5½ 98 | 70 | 74 | −1 | 37.83 |
| Elders 11⅛ 94 | 180 | 115⅛ | 0 | 36.72 |
| Elektrowatt 8 88 | 81 | 133⅛ | +3⅞ | −5.11 |
| Fujitsu 3 89 | 180 | 103 | −0⅛ | 2.18 |
| Intec Inc 3 99 | 50 | 127 | +8 | 0.27 |
| Kyowa Hakko 6⅝ 97 | 40 | 204⅛ | +22⅛ | 1.65 |
| LASMO 9⅛ 99 | 44 | 85½ | +0⅛ | 60.79 |
| Moet-Hennessy 7 99 | 80 | 167 | +13⅛ | −87.00 |
| Murata Mtg 3½ 00 | 100 | 131⅛ | +1 | 19.49 |
| Nippon Oil 3⅛ 99 | 00 | 109⅝ | +4⅛ | 0.93 |
| Ono Pharm 3⅛ 98 | 60 | 139½ | +1½ | −2.10 |
| Soc Gen Surv 4½ 94 | 80 | 157⅛ | −3⅛ | −8.37 |
| Sumitomo Corp 2⅞ 99 | 70 | 172⅞ | +10⅛ | 2.46 |
| Texaco Capital 11⅞ 94 | 1bn | 98⅞ | +1½ | 64.70 |
| Texaco Capital 11⅛ 94 | 500 | 97⅞ | +1½ | 63.19 |
| Tsumura Jntndo 5⅛ 98 | 30 | 141 | −2⅛ | −5.13 |
| Yamaichi Sec 3⅛ 95 | 20 | 137 | +7⅛ | −0.38 |

| YEN STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| Asian Dev Bk 7⅛ 94 | 18 | 107⅛ | +1½ | 8.17 |
| Avon Products 6⅝ 91 | 26 | 98⅝ | +0⅛ | 7.11 |
| Denmark 6⅝ 92 | 20 | 102⅛ | +1 | 6.20 |
| Dow Chemical 7 94 | 50 | 102⅛ | +0⅝ | 9.66 |
| EDF 6⅞ 95 | 20 | 105⅛ | +1⅛ | 6.08 |
| Eurofima 7⅛ 94 | 10 | 105⅞ | +1⅛ | 9.42 |
| Eurofima 6⅝ 92 | 70 | 102⅛ | +0⅛ | 8.12 |
| FNMA 6⅞ 92 | 50 | 103⅛ | +1⅛ | 6.13 |
| GMAC 6½ 90 | 25 | 102⅛ | +0⅛ | 5.89 |
| Intel 6⅝ 92 | 12.5 | 97⅞ | +0⅛ | 7.09 |
| Int-Amer Dev 7⅞ 92 | 18 | 103½ | +0⅛ | 7.27 |
| ITT 6⅝ 92 | 20 | 101⅞ | +0⅞ | 6.36 |
| McDonald Corp 6⅛ 92 | 25 | 102⅛ | +0⅞ | 9.06 |
| New Zealand 7⅛ 90 | 18 | 104½ | +1½ | 8.01 |
| New Zealand 7⅛ 89 | 15 | 106⅛ | +0½ | 9.90 |
| Pacific Gas & EL 7 94 | 20 | 103⅛ | +0⅛ | 6.50 |
| Penney J C 6⅛ 92 | 26 | 100⅝ | +0⅛ | 9.66 |
| Procter 6⅞ 92 | 25 | 102⅛ | +0⅝ | 8.07 |
| Sallie Mae 6⅝ 92 | 25 | 102⅛ | +2⅛ | 8.07 |
| TRW 7 94 | 15 | 102½ | +0⅝ | 6.62 |
| Utd Technology 6⅝ 92 | 25 | 102⅛ | +1 | 6.15 |
| World Bank 7 94 | 20 | 105⅞ | +1⅛ | 8.06 |
| World Bank 7⅛ 93 | 20 | 108⅛ | +1⅛ | 8.23 |
| World Bank 8 93 | 20 | 109 | +1⅛ | 6.37 |

| LUXFR STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| ASEA 9⅛ 89 | 600 | 101⅛ | −0⅛ | 9.34 |
| Eurofima 10 94 | 600 | 104⅛ | −0⅛ | 8.20 |
| E Coal & Steel 10⅛ 94 | 1bn | 104⅛ | −0⅛ | 9.64 |
| Euro Invest Bk 10⅛ 94 | 1bn | 105⅛ | −0½ | 9.54 |
| World Bank 10⅛ 89 | 1bn | 102⅛ | −0⅛ | 9.41 |

| GUILDER STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| ABN 8 88 | 200 | 105⅛ | −0⅛ | 5.80 |
| ABN 7⅛ 89 | 150 | 105⅛ | 0 | 6.13 |
| Amro Bk 7⅛ 89 | 180 | 103⅛ | 0 | 6.20 |
| Amro Bk 8 89 | 200 | 105⅛ | +0⅛ | 6.10 |
| Bk Mees & Hope 8⅛ 88 | 100 | 100 | −0½ | 9.40 |
| Beatrice Foods 8⅛ 89 | 100 | 103⅛ | +0⅛ | 7.14 |
| C C Rabo 8 89 | 150 | 105 | 0 | 9.21 |
| Denmark 8½ 81 | 100 | 108⅛ | +0⅛ | 6.59 |
| Int Stand Elec 8½ 89 | 100 | 104⅞ | −0⅛ | 6.64 |
| New Zealand 8⅛ 89 | 100 | 105½ | 0 | 9.39 |

| CANADIAN DOLLAR STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| Amex 12⅛ 91 | 50 | 105⅛ | +0⅛ | 10.97 |
| Aust Resources 11⅛ 92 | 50 | 104⅛ | +1 | 10.63 |
| Bk of Tokyo 10⅞ 92 | 75 | 100⅝ | +0⅛ | 10.73 |
| Bqe l'Indosuez 14 91 | 75 | 111⅛ | +0½ | 10.50 |
| Br Col Munic 12⅛ 91 | 100 | 107⅛ | +0⅛ | 10.49 |
| Br Col Munic 13⅛ 91 | 100 | 113 | +2⅛ | 10.22 |
| Br Col Tele 12⅛ 89 | 70 | 104 | +0⅛ | 11.86 |
| Farm Cred Corp 12⅛ 90 | 75 | 106⅞ | +0⅞ | 10.28 |
| Kredietbank 12 92 | 75 | 105⅛ | +2 | 10.63 |
| Long Term Cred 11⅛ 90 | 75 | 105⅛ | +1⅞ | 10.02 |
| Montreal City 12⅛ 91 | 50 | 106⅝ | +0⅛ | 10.53 |
| New Brunswick 12 95 | 75 | 107⅛ | +1⅛ | 10.70 |
| Nova Scotia 11⅛ 95 | 100 | 106½ | +1⅛ | 10.49 |
| Quebec Hydro 14 91 | 75 | 105⅛ | 0 | 12.48 |

| ECU STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| ABN 9½ 92 | 100 | 102⅛ | +0⅛ | 8.88 |
| Australia & NZ 10⅝ 91 | 50 | 104⅛ | −0⅞ | 9.67 |
| Austria 10⅝ 93 | 100 | 108⅛ | +0⅞ | 8.95 |
| BFCE 9⅛ 92 | 100 | 105⅛ | +0⅛ | 6.55 |
| Cred National 10⅛ 94 | 50 | 107⅛ | +1⅛ | 9.09 |
| Cred National 11⅛ 91 | 50 | 106⅞ | −1½ | 9.83 |
| Denmark 10⅝ 91 | 75 | 106 | +0⅛ | 9.20 |
| Ebco Int 10⅞ 89 | 65 | 101⅞ | −1⅛ | 10.13 |
| EEC 11 93 | 80 | 104⅛ | −1⅛ | 10.18 |
| EEC 11⅛ 91 | 50 | 105⅞ | +0⅛ | 9.76 |
| EEC 11⅛ 93 | 70 | 105⅛ | −0⅛ | 10.13 |
| Euro Coal & Steel 0 94 | 80 | 117⅛ | +0⅛ | 9.43 |
| Euro Invest Bk 9⅝ 95 | 200 | 101½ | +0⅛ | 9.00 |
| Euro Invest Bk 10⅛ 94 | 130 | 107⅛ | +1 | 8.81 |
| Euro Invest Bk 10⅛ 89 | 50 | 105 | +0⅛ | 9.56 |
| Euro Invest Bk 10⅝ 94 | 100 | 107⅞ | +0⅛ | 8.29 |
| Euro Invest Bk 11⅛ 92 | 75 | 107⅛ | −0⅛ | 9.55 |
| Euro Invest Bk 11⅛ 93 | 80 | 106 | −1⅛ | 9.85 |
| Euro Invest Bk 11⅛ 96 | 50 | 112 | −3 | 9.35 |
| Can Finance 11 90 | 70 | 104⅛ | −0⅛ | 8.69 |
| Citro Vienna 10⅛ 93 | 80 | 107½ | +0⅛ | 9.10 |
| GTE Finance 10⅞ 92 | 50 | 107⅛ | −0⅛ | 9.24 |
| Ireland 10⅛ 95 | 80 | 103 | −0⅛ | 9.73 |
| Italian Govt 10½ 92 | 600 | 108½ | +0⅛ | 8.22 |
| Italian Treas 11⅛ 90 | 80 | 108⅛ | +0⅛ | 8.23 |
| Kredietbank L 9⅛ 92 | 75 | 103⅛ | +1½ | 8.61 |
| Magal Finance 11⅛ 94 | 100 | 108½ | +0⅛ | 9.71 |
| Nippon Cred Bk 11 91 | 50 | 106⅝ | 0 | 9.43 |
| Nordic Inv 0 94 | 50 | 115½ | −0⅛ | 8.52 |
| Post Och Kred 10⅛ 92 | 50 | 105⅛ | +0⅛ | 9.10 |
| Royal Bk Can 10½ 89 | 85 | 102 | −1⅞ | 8.33 |
| SNCI 10⅞ 94 | 80 | 107 | −0⅛ | 8.60 |
| Swedish Export 11 89 | 57 | 103⅞ | 0 | 9.78 |
| West LB 10⅞ 91 | 50 | 103½ | −0⅛ | 9.96 |
| World Bank 10⅝ 88 | 100 | 105 | 0 | 8.50 |

| AUSTRALIAN DOLLAR STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| Nat Aust Bk 12½ 89 | 40 | 93 | 0 | 15.49 |
| PIBA 12⅛ 89 | 30 | 93½ | 0 | 19.18 |
| State Bk NSW 12⅛ 88 | 40 | 94½ | 0 | 14.99 |
| Woolworths 14⅛ 88 | 25 | 100 | 0 | 14.18 |

| STERLING STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| BAT Intnl 10⅛ 91 | 100 | 101⅛ | +7½ | 10.48 |
| Denmark 10⅝ 89 | 75 | 101⅛ | +1⅛ | 10.22 |
| EEC 11⅛ 94 | 50 | 103⅛ | +0⅛ | 10.78 |
| Europarat 11⅛ 92 | 80 | 103⅛ | +2⅛ | 10.55 |
| Euro Invest Bk 10⅝ 92 | 50 | 101⅛ | +1⅛ | 10.48 |
| Finland 11⅛ 88 | 80 | 101⅛ | +0⅛ | 11.01 |
| Grand Met Fin 10⅞ 90 | 50 | 99⅛ | +1⅛ | 11.00 |
| Int-Amer Dev 11⅛ 91 | 00 | 102⅛ | +2 | 10.67 |
| Int Stand Elec 11⅛ 89 | 80 | 100⅛ | +1⅛ | 10.86 |
| Inv in Indust 11⅛ 91 | 80 | 100⅛ | +0⅛ | 11.46 |
| Ireland 11⅛ 94 | 80 | 101⅛ | +2⅛ | 11.11 |
| New Zealand 10⅛ 89 | 100 | 99⅝ | +0⅛ | 10.71 |
| SNCF 11⅛ 94 | 80 | 103½ | +2½ | 10.69 |
| World Bank 10⅝ 89 | 100 | 101 | +1⅛ | 10.23 |
| World Bank 10⅛ 89 | 50 | 101⅛ | +1½ | 10.18 |
| World Bank 11 94 | 50 | 101⅛ | +1⅛ | 10.65 |

| EQUITY WARRANTS | Expiry date | Price | Chg. on week | Prem. |
|---|---|---|---|---|
| Bank Leu Int | 30/8/88 | 128 | −7 | 11.10 |
| Ciba-Geigy Int £ | 1/11/93 | 213⅛ | −34⅞ | 14.50 |
| Credit Suisse | 31/5/88 | 74⅛ | −3⅛ | −33.48 |
| Casio Computer | 6/3/88 | 53 | +1 | −21.35 |
| Fujikura | 29/4/89 | 0 | | |
| IC Industries | 15/6/88 | 38 | +0 | 0.00 |
| Kayaba Industry | 15/2/89 | 40⅞ | +3⅞ | −8.85 |
| Maruzen | 12/2/90 | 0 | | |
| Mitsubishi Co | 7/11/88 | 52⅛ | +7⅛ | −18.71 |
| Mitsui Petro | 10/2/90 | 90⅛ | +5⅛ | −35.98 |
| Nissho Iwai | 1/2/88 | 0 | | |
| Nomura | 31/10/88 | 0 | | |
| Swiss Bank Cpn | 20/12/88 | 115⅝ | −3⅛ | 3.70 |
| Terey Ind | 5/3/87 | 0 | | |
| Yamaro Kogyo | 29/1/90 | 36⅛ | −14 | 4.58 |

| BOND WARRANTS | Expiry date | Price | Chg. on week | Ex. yield |
|---|---|---|---|---|
| Aegon Ins 11⅛ 91 | 14/2/88 | 86½ | +14⅛ | 9.61 |
| Coca Cola 11⅛ 91 | 28/11/88 | 96 | +14½ | 7.38 |
| Commerzbk 12⅛ 91 | 21/11/88 | 128 | +18⅛ | 4.66 |
| Du Pont 13⅛ 89 | 25/8/88 | 117⅝ | +7⅛ | 9.84 |
| Eksportfinans 13⅛ 89 | 15/9/87 | 126 | +4 | 4.80 |
| Can Elec 12⅛ 91 | 7/8/87 | 107⅛ | +4⅛ | 4.59 |
| Ind Bk Jpn 12⅞ 91 | 5/10/89 | 152½ | +20⅞ | 7.83 |
| Inv in Ind 10½ 91 | 1/12/88 | 0 | | |
| McDnlds 11⅛ 94 | 5/1/89 | 80⅞ | +19 | 9.91 |
| Oester Lnbk 13½ 89 | 9/9/87 | 123⅝ | +11⅛ | 4.46 |
| Texaco Cap 12⅞ 92 | 1/9/87 | 80 | +7 | 7.90 |
| Trnto Dom 12½ 91 | 5/4/88 | 135⅞ | +10 | 5.49 |

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.
*FLOATING RATE NOTES*: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.

WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.
† Perpetual.

Closing prices on February 28.

# INTERNATIONAL CAPITAL MARKETS AND COMPANIES

## Noranda plunges to C$228m net loss

By Bernard Simon in Toronto

NORANDA, the financially stretched Canadian resource group, suffered a net loss of C$227.9m (US$160m) or C$2.17 a share last year, follnwing a C$4.5m or 32 cents deficit in 1984.

The 1985 results include a C$274m provision on "assets of doubtful valne under forseeable economic conditions," partly offset by gains of C$125m from the disposal of assets, including Noranda's share in two mining groups, Placer Development and Pamour Porcupine Mines.

Operating losses totalled C$78.7m, while Revenues rose fractionally to C$3.48bn.

Noranda said the impact of the falling US and Canadian dollars on prices for its products, and continuing economic growth, were "reasons to hope that 1986 will be a better year."

The company expects to reach its goal soon of reducing debt by C$1hn, from C$2.7bn in mid-1985, without jeopardising its core businesses, which include forest products, zinc and gold.

● Rio Algum, the uranium, base metal and coal producer controlled by Rio Tinto-Zinc of the UK, lifted net income to a record C$88.3m nr C$2 a share last year, from C$73.9m or C$1.65 in 1984. Revenues rose 7 per cent tn 1.23bn.

The improvement is due largely to the contribution of Rio Algom's 68 per cent-owned copper, molyhdenum and coal mining subsidiary Lornex Mining, which moved from a C$3.3m loss in 1984 to earnings of C$24.1m last year. earnings from metals distribution also improved.

Rio Algom has recently begun to diversify by commissioning a tin mine at East Kemptville, Nova Scotia last aotumn, and acquiring an 89 per cent interest in Potash Company of America.

● Half-year earnings of Middle Witwatersrand (Western Areas), or Middle Wits, the South African Anglovaal mining group's investment company, have increased to R15.5m (£5.2m), or 160 cents per share, from R10.8m a year ago writes Kenneth Marston.

The total for the year to last June was R20.3m and Middle Wits paid a total dividend of 105 cents. The company has already distributed an increased interim of 55 cents (45 cents) for 1985-86.

## Murdoch raises $1bn in junk bonds

BY TERRY DODSWORTH AND WILLIAM HALL IN NEW YORK

MR RUPERT MURDOCH, the Australian-born media entrepreneur, has raised more than $1bn in one of the largest offerings of high yield securities, commonly referred to as "junk bonds," in the New York financial markets.

The money has been raised by Mr Murdoch's Fox television stations, which is buying six TV outlets from the Metromedia broadcasting group, and marks the final stage of his plans to set up a fourth network in the US.

Negotiations on the purchase, details of which are contained in what is believed to be the longest offer document ever issued on Wall Street, began nine months ago and are expected to be completed by the end of this week.

The recent sharp rise in the US capital markets appears to have helped the stock offering—Mr Murdoch's first in the US—which even by current Wall Street standards is considered a high risk venture.

According to the offer document, Fox TV's cash flow will not be sufficient to pay the dividends on the newly issued preferred stock, and there is considerable uncertainty over whether the securities will be favourably treated for tax purposes.

The riskiness is underlined by the fact that most of the investors in the junk bonds which are currently financing the TV stations being sold to Mr Murdoch have opted for cash rather than Fox Television paper.

Mr Murdoch had hoped to persuade the holders of Metromedia's own high-yield securities to accept junk bonds issued by Fox rather than cash. But because the Metromedia investors opted for the cash alternative, he has had to proceed with a stand-by public offering underwritten by his investment backers, Drexel Burnham Lambert and Allen & Co.

Mr Arthur Phillips, first vice president in the corporate finance department at Drexel, said he was "a little surprised but not especially surprised" that most of the Metromedia holders had decided not to accept Fox paper.

Drexel had found no difficulty in selling the new stock to institutional investors, he added. "We think it is an attractive investment because of Mr Murdoch's record as a successful acquirer and operator of companies."

Mr Phillips said the $1bn offering was the largest issue of a single type of high yield security ever made in New York. Fox TV's increasing rate exchangeable guaranteed preferred stock carries a 13 per cent dividend in year one, rising to 15 per cent in the third year.

If the preferred stock has not been redeemed by the end of the third year, holders have rights to get shares in Mr Murdoch's Australian holding company, News Corporation.

In theory, Fox investors could take control of News Corporation on conversion of their stock, a feature which analysts believe will put pressure on Mr Murdoch to buy out or refinance the Fox TV preferred stock within the three year period.

## Ozark agrees to bid fom Icahn

BY OUR FINANCIAL STAFF

OZARK HOLDINGS, the St-Louis-based regional airline, has agreed to last week's $19 a share cash takeover bid from Trans World Airlines, the major carrier acquired in January by Mr Carl Icahn, the Wall Street financier.

At the same time the two airlines have given details of the rationale for the takeover, which is valued at almost $250m, and subject to approval by Ozark shareholders and the Department of Transportation.

Both airlines said they had been hit hard by tough competition in the St Louis market, where they operate "hubs," since the entry last year of cut-price carrier People Express and Southwest Airlines.

Ozark began to lose money in the summer and expects losses this year, while TWA, which faces strong competition in many domestic markets, made a pre-tax loss of $217.1m last year, and expects a further loss of $125m in the first quarter of 1986.

However the Ozark deal will bring TWA a fleet of 50 "efficient smaller twin-jet aircraft" including DC9-30s and access to short-haul feeder air routes for its St Louis hub. The two airlines said they expect the combination to make them competitive with "the massive connecting complexes operated by their larger rivals."

Mr Icahn said: "When I took control of TWA in January, I was well aware of the need for growth to enable it to compete with the giants of the industry. The acquisition of Ozark will deliver much-needed facilities, smaller aircraft and presence in regional markets we simply could not gain quickly any other way."

On financing, TWA said it had ample available from funds raised earlier this year through the sale of debentures and equipment trust certificates.

TWA will remain the fifth largest US airline after the deal. Ozark has also given TWA an option to acquire 2.2m Ozark shares at $17.50 each.

## Pruning helps HDW to reach break-even

By Rupert Cornwell in Bonn

THE DRASTIC pruning carried out at Howaldtswerke-Deutsche Werft, the West German shipbuilder, enabled the long-troubled company to break even last year — despite a steep fall in turnover.

According to Mr Klaus Ahlers, HDW's chairman, the company would show neither a profit nor a loss for the year ended September 30—compared with losses of DM 129m ($58m) in 1983/84 and DM 210m in 1982/83.

The improvement, he said, reflected a substantial gain in productivity and sharply reduced costs, and would be furthered by the planned concentration of all HDW's business in its Gaarden yard in Kiel.

Booked turnover last year dropped to DM 707m from DM 1.61bn in 1983/84. Investment, however, rose to DM 24m from DM 16m, while orders in hand covered 18 vessels worth DM 2.4bn in all.

The prospects for the current year are for a further break-even by HDW, which is 75 per cent owned by Salzkitter, the state-controlled steel and manufacturing concern.

At the end of 1985 HDW sold its entire Hamburg-based operations, consisting of its ship-repair and machine tool operations, to Blohm und Voss, the German shipyard

## Metals chief in tax probe

DARMSTADT. — The head of Andreas Zieringer Metallhuette, Metallgrosshandel, the troubled West German metals firm, is under investigation on suspicion of tax evasion, the public prosecutor's office in Darmstadt said.

The spokesman said Mr Hans Zieringer, the owner of the metals firm which filed for bankruptcy on February 13, had been arrested on Tuesday but was released on bail of DM 1m ($450,000) after a court hearing on Friday.

Reuter

## Earnings down 15% for Mitsubishi Petrochemical

BY OUR TOKYO STAFF

MITSUBISHI PETROCHEMICAL of Japan, in which Shell Oil has a minority stake, showed a 14.9 per cent fall in pre-tax profits last year to Y13.04bn ($72.34m).

Net profits plunged to Y4.59bn from the previous year's Y10.6bn, after Y1.7bn losses relating to the transfer of the research and development section of a subsidiary to Mitsubishi Chemical Industries. Sales totalled Y370.7bn, down 4.8 per cent.

During the past year, the company was beneficiary of declining costs for raw materials and fuels.

The per share dividend for the year was raised by Y2 to Y6, including a Y1 commemorative dividend for the 30th anniversary of the company's funding.

For the current year, sales are projected to fall between Y340bn and Y350bn, and pre-tax profits are expected to level off.

## Brokers delay bank rescue plan

KUALA LUMPUR Stock Exchange has bowed to opposition by members and has deferred a decision to accept an 80m ringgit ($32.5m) financial lifeboat from the banks to rescue brokers in trouble over forward share purchase contracts, writes Wong Sulong in Kuala Lumpur.

However, exchange members decided at the weekend that in future all members would have to agree to any scheme approved by more than 75 per cent of those present.

The rescue plan will now be discussed on March 16. Under the new rule, it stands little chance of being adopted unless the Malaysian authorities intervene and put pressure on dissenting brokers to fall into line.

Unlike the situation in Singapore where most brokers are stuck with forward contracts worth hundreds of millions of dollars, only five of the 51 Malaysian broking companies have forward contracts.

## NEW INTERNATIONAL BOND ISSUES

| Borrowers | Amount m. | Maturity | Av. life years | Coupon % | Price | Book Runner | Offer yield % |
|---|---|---|---|---|---|---|---|
| U.S. DOLLARS | | | | | | | |
| Aoki Corp. ¶‡ | 100 | 1991 | 5 | 4½ | 100 | Nomura Int. | 4.500 |
| AT & T ‡ | 300 | 2016 | 30 | 9 | 98¼ | CSFB, Salomon Bros. | 9.173 |
| Qantas ‡ | 97.75 | 1996 | 10 | 8⅝ | 100½ | Banque Paribas | 8.549 |
| Trafalgar House ‡ | 100 | 1991 | 5 | 9 | 100 | Kleinwort Benson | 9.000 |
| Renown Inc. ¶ | 100 | 1991 | 5 | (4½) | (100) | Daiwa Europe | - |
| Pepsico Cap. Resources ‡ | 100 | 1991 | 5 | 8⅝ | 101⅛ | Salomon Brothers | 8.093 |
| Bayerische Vereinsbank ‡ | 100 | 1999 | 10 | 8⅝ | 100 | Bayerische Vereinsbk | 8.625 |
| Japan Dev. Bank ‡ | 50 | 1996 | 10 | 8⅜ | 101 | IBJ Int. | 8.340 |
| BATIF (a) †‡ | 100 | 1996 | 10 | ⅛ | 100 | Banque Paribas | - |
| Tokyu Construction ¶ | 50 | 1991 | 5 | (4¾) | 100 | Yamaichi Int. (Eur) | - |
| Pasco Corp. ¶ | 40 | 1991 | 5 | (4½) | 100 | Nikko Secs. (Europe) | - |
| Financiere CSFB (b) †‡ | 150 | - | - | ⅛ | 100 | Lloyds Merchant Bank | - |
| Central Europe Int.Bk (c)†‡ | 30 | 1996 | 10 | 3/16 | 100 | Nikko Secs. (Europe) | - |
| Belgium ‡ | 300 | 1991 | 5 | 8½ | 101⅛ | Kidder Peabody | 8.217 |
| Bergen Bank (d) ‡ | 100 | 1991 | 5 | 10 | 100⅝ | Man. Hanover | 9.838 |
| Hanwa Co. ¶ | 100 | 1991 | 5 | (4¾) | 100 | Yamaichi Int. (Eur) | - |
| Hanwa Co. ¶ | 30 | 1991 | 5 | (4¾) | 100 | Daiwa Singapore | - |
| World Bank (e) ‡ | 200 | 2026 | 40 | 8⅞ | 99.831 | Salomon Brothers | 8.891 |
| Nippon Oil ¶ | 150 | 1991 | 5 | (4¾) | 100 | Nomura Int. | - |
| Cargill Inc. ‡ | 100 | 2016 | 30 | 9¼ | 100 | Shearson Lehman Bros. | 9.250 |
| Dai-Ichi Kangyo (H. Kong) ‡ | 150 | 1991 | 5 | 8⅛ | 101⅛ | Man. Hanover | 7.844 |
| CANADIAN DOLLARS | | | | | | | |
| Scotia Mortgage Corp. ‡ | 100 | 1991 | 5 | 10 | 100½ | BBS (Secs) | 9.869 |
| Sears Acceptance Co. ‡ | 100 | 1993 | 7 | 10 | 100⅝ | Wood Gundy | 9.923 |
| Montreal Trustco ‡ | 50 | 1991 | 5 | 10 | 100¼ | Orion Royal Bank | 9.934 |
| NEW ZEALAND DOLLARS | | | | | | | |
| B. San Paolo di Torino ‡ | 40 | 1989 | 3½ | 18 | 100⅝ | CIBC | 10.574 |
| D-MARKS | | | | | | | |
| Asian Dev. Bank ‡ | 200 | 1996 | 10 | 6¼ | 99½ | Deutsche Bank | 6.319 |
| Wella Int. Fin. ¶‡ | 130 | 1996 | 10 | 2½ | 100 | Deutsche Bank | 2.500 |
| Philip Morris ‡ | 225 | 1996 | 10 | 6 | 100 | CSFB-Effectenbank | 6.000 |
| Ex-Im Bk Korea ‡ | 100 | 1991 | 5 | 6⅝ | 100 | DG-Bank | 6.675 |
| Sweden ‡ | 300 | 1998 | 12 | 6⅛ | 100 | Deutsche Bank | 6.125 |
| SWISS FRANCS | | | | | | | |
| Eurovisa ‡ | 80 | 1996 | - | 5⅛ | 99¾ | Crédit Suisse | 5.158 |
| FAI Financial Ser. | 200 | 1998 | - | (5¾) | (100) | Sodific | - |
| Charter Medical † | 100 | 2001 | - | (7½) | (100) | Sodific | - |
| Tokyu Land Corp. **‡ | 70 | 1991 | - | 5¼ | 100¼ | UBS | 6.096 |
| IADB ‡ | 200 | 2001 | - | 5¾ | 100 | SBC | 6.375 |
| Unocal ‡ | 201 | 1996 | - | 5¼ | 99½ | SBC | 5.316 |
| Portugal ‡ | 100 | 1996 | - | 5⅜ | 100 | SBC | 5.375 |
| Com. Nat. du Rhône **‡ | 77.3 | 1991 | - | 4¾ | 100¼ | SBC | 4.693 |
| Shindengen Elec. Mfd. **¶ | 50 | 1991 | - | (2½) | 100 | Bqe Paribas (Suisse) | - |
| EIB **‡ | 100 | 1992 | - | 4¾ | 100 | SBC | 4.750 |
| Fujisawa Pharmac. **‡ | 100 | 1991 | - | 4⅝ | 99¾ | Crédit Suisse | 4.633 |
| R. J. Reynolds ‡ | 200 | 1993 | - | 6 | 100 | Mgn. Guaranty (Switz) | 6.000 |
| Ikeda Bussan **¶ | 20 | 1991 | - | (2¾) | * | Crédit Suisse | - |
| Hanwa Co. **¶ | 80 | 1993 | - | (2¾) | * | Banca del Gottardo | - |
| FRENCH FRANCS | | | | | | | |
| NERSA ‡ | 500 | 1996 | 10 | 9¾ | 100¼ | CCF | 9.685 |
| ECUs | | | | | | | |
| Polysar Ltd. | 50 | 1993 | 7 | 9⅞ | * | Banque Paribas | * |
| STERLING | | | | | | | |
| American Medical ‡ | 50 | 2011 | 25 | 9¾ | 88.255 | Barclays M'chant Bk | 11.300 |
| DANISH KRONER | | | | | | | |
| KB-IFIMA ‡ | 500 | 1993 | 7 | 9¼ | 101 | Privatbanken | 9.051 |
| YEN | | | | | | | |
| World Bank **‡ | 30bn | 2006 | 20 | 6½ | 100 | Daiwa Secs. | 6.986 |
| Kawasaki Steel ‡ | 10bn | 1993 | 7 | 6¼ | 101¼ | Yamaichi Int. (Eur) | 6.026 |
| Procter & Gamble ‡ | 25bn | 1991 | 5 | 6 | 100 | Daiwa Europe | 6.000 |
| EIB ‡ | 25bn | 1999 | 10 | 6⅛ | 101¼ | Daiwa Europe | 5.956 |

*Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With equity warrants. ⓦ With bond warrants. § Dual currency. (a) ¼ over 6m Libor. (b) ¼ over 3m Libid. (c) 3/16 over 6 m Libor. (d) Coupon declines annually. (e) Launched on US domestic market. Note: Yields are calculated on AIBD basis.

# Lonrho in link with Japanese

Lonrho, the UK-based international conglomerate, and Nissho Iwai, Japan's sixth largest trading company, have reached a basic agreement to work together on a variety of joint ventures worldwide, most likely in hotels and vehicle sales and distribution.

The deal, which was reached in Tokyo this week, calls for each company to invest in a portion of the other's equity. Nissho Iwai yesterday refused to say how large a stake each would take or on what terms.

The deal was believed to be the first link-up between a Japanese trading house and a foreign conglomerate.

The two companies are expected to exchange personnel in future to help promote the new partnership. Further, an executive committee made up of officials from both groups is expected to be formed shortly.

The international businesses of the two groups are compatible as Lonrho has strong links to Africa, where the Japanese group is fairly weak. At the same time, Nissho Iwai's Asian network is very strong, a plus for Lonrho.

## F.T. Share Information

The following securities have been added to the Share Information Service:

British Assets Trust 6 per cent Conv. Loan Stock 1995 (Section: Investment Trusts)
Free State Cons. Gold Mines (Mines—O.F.S.)
Friendly Hotels (Hotels and Caterers)
Granyte Surface Coatings (Industrials)
Kiearfold Inc. (Paper, Printing and Advertising)
Orange Free State Investments (Mines—Finance)
Really Useful Group (Leisure)
Storehouse (Drapery and Stores).
UK Land (Property)

# Amari expands into US market

BY DAVID GOODHART

Amari, the leading UK distributor of semi-manufactured metals and plastics, has announced a move into the US market with the acquisition of Ontario Metal Supply of Baltimore for about $5.4m (£3.7m).

It is Amari's first foothold in the US, although it has a successful greenfield site business in Canada, and follows nearly a year of searching in which it looked at eight different companies.

Amari is very soon expected to announce another US acquisition for a similar payment and the two companies together will give it a turnover in the US of about $70m, ranking it at once in the top dozen non-ferrous metal distributors.

Ontario Metals, a private company making very small profits, distributes aluminium, stainless steel, copper metals and industrial products to the markets of Virginia, Pennsylvania, Maryland and New York State.

Mr Jon Pither, the managing director of Amari, said he would be looking for profits of about $8m from the two US operations in four years' time.

In the calendar year 1984, Amari had sales of £162m and profits of £6.5m. With the months, and the US acquisitions, turnover will soon be in the region of £250 a year according to Mr Pither.

"We are at the beginning of an exciting drive for growth which will make us the leading world distributor of semi-manufactured metals and plastics," he said.

# S W Wood at near breakeven

A significant reduction in general trading volume and the fall in metal prices has substantially reduced the pre-tax profits of S. W. Wood for the half year to September 30 1985.

Turnover for this non-ferrous metal merchant and processor dropped from £8.86m to £7.25m and the pre-tax result came out £15,000 lower at £7,000 after interest payments of £71,000 (£60,000), but including an exceptional credit of £35,000 (£73,000).

Stated net earnings were down at 0.1p (0.4p) and there is again no interim dividend. A 1p single payment was made in respect of 1984-85.

The directors say that trade has currently stabilised and they are continuing a policy of rationalisation. But an overall operating loss must be expected for the year, they state.

Part of the fall in turnover during the half year results from reorganisation policies which have so far included the closure of the Coventry depot and a restructuring of the central depot in London.

## Intereurope Technology

CONTINUED WEAKNESS in the UK electronics industry contributed to a 42 per cent fall in pre-tax profits at Intereurope Technology Holdings in the six months to the end of December 1985. On turnover up by 9 per cent from £4.22m to £4.6m, pre-tax profits were down from £678,000 to £396,000.

The directors of this producer of technical documentation say that the start-up costs of the new computer-aided design system, which left the engineering design business making no profits in the period, was another factor.

With a tax charge of £226,000 (£292,000) earnings per 20p share came out at 7.4p (7.72p). The interim dividend is lifted from 1.7p to 1.8p. Last year a total of 5.4p from pre-tax profits of £1.62m.

# KLP £2.7m rights to cut borrowings

BY RICHARD TOMKINS

KLP, the USM-quoted sales promotion group, is to raise £2.66m net through a two-for-nine rights issue at 255p a share. The group says its aim is to reduce borrowings incurred through acquisitions and expansion.

KLP acquired three companies last year—Robert Guy Services in January, Odhams Leisure in August and Systems Market Link in September—and acquired a 40 per cent interest in Bridge Beheer, a Dutch sales promotion agency, in June. The biggest acquisition, of Odhams Leisure, cost £2.1m.

Pre-tax profits rose by 41 per cent from a restated £962,000 to £1.36m in the year to last September. However, most of the increase was attributable to Oldhams Leisure's first-time contribution—the existing activities were held back by the cost of setting up KLP Scotland and KLP Gronn Services and by the loss of a big contract with Asda.

KLP's shares closed 5p down at 300p after the announcement on Friday.

HIGHLAND Electronics says despite the disruption caused by the transfer of distribution to Burgess Hill, East Sussex, profit before tax for half year ended October 31 1985 was £513,456 (£502,775) on turnover of £6.26m (£5.69m). Earnings were 3.58p (3.17p) and interim dividend is 1p (same). All subsidiaries are profit earnings and directors view the future with confidence.

# Prestwich in optical sale

BY LIONEL BARBER

Prestwich Holdings, the diversified Manchester-based engineering company, has entered into a conditional contract to sell Henlys Optical, its opticians chain, to CooperVision, a US company quoted on the New York Stock Exchange, in a cash deal worth at least £10.6m.

Mr Brian Simmons, a Prestwich director, said that the cash would be used for expansion and acquisition in the entertainments business which was expected to provide the bulk of profits this year.

Prestwich shares were suspended at the company's request at 148p, valuing the group at around £33m. Last year, Henlys provided about 35 per cent of Prestwich's £874,000 pre-tax profits and it has warranted net assets of not less than £700,000.

## COMPANY NEWS IN BRIEF

MAINMET HOLDINGS, USM-quoted retailer and servicer of energy conservation products, reduced pre-tax losses from £42,000 to £23,000 in the half year to end-November 1985. Turnover improved to £993,000 (£643,000). Losses per 10p share were shown as 0.89p (1.66p) and there is again no dividend.

AUTHORITY INVESTMENTS' profits recovered from £15,000 to £52,000 pre-tax for the six months to October 31 1985. Earnings per share are 1.64p against 0.29p. The directors say a major property letting will improve its 1986-87 figures. There is again no dividend.

SELECTV, cable television operator, reports pre-tax losses of £116,000 (£157,000) in the six months to the end of September 1985 on turnover down to £48,000, against £314,000, which included exceptional income from the closure of the Milton Keynes operations. The loss per 10p share for the USM-quoted company is stated at 0.84p (1.41p).

SYNAPSE COMPUTER Services raised pre-tax profits to £201,200 (£168,400) for the half-year to January 31 1986 on turnover of £1.56m (£906,300). After tax £83,800 (£72,400) earnings per 5p share of this USM quoted company were 3.37p (2.73p). There is no interim dividend (same).

DWEK, the plastics, homewares and furniture components group, has completed negotiations for the acquisition of QA Furniture, a supplier of flatpack furniture. The consideration is £4.25m payable in cash — £2m on completion with the balance over two years dependent on performance.

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Industrial Finance and Investment, Michael Peters, Ramar Textiles.

Finals:—AMS Industries, T. F. and J. H. Smims, British Vita, Microvitec.

FUTURE DATES

Interims:—
Bejam ... Mar 12

Finals:—
Ault and Wiborg ... †Mar 5
Cement-Roadstone ... Mar 12
Delta Group ... Mar 21
Federated Housing ... Mar 11
Ganami Mining Union Corpn. ... Mar 13
INSTEM ... Mar 8
RugOy Portland Cament ... Apr 7
Tyne Tees Television ... Mar 13

† Amended



## FINANCIAL DIARY FOR THE WEEK

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Appledore (A. & P.), Connaught Rooms, Great Queen Street, WC, 11.30
City Site Estates, Albany Hotel, Bothwell Street, Glasgow, 11.00
Fleming Claverhouse Investment Trust, 8, Crosby Street, EC, 2.15
Hunterprint, Ironmongers' Hall, Aldersgate Street, Barbican, EC, 2.30

BOARD MEETINGS—
Finals:
AMS Inds
Braime (T. F. and J. H.)
British Vita
Microvitec
Interims:
Ind Fin and Inv Cpn
Peters (Michael)
Ramar Textiles

DIVIDEND & INTEREST PAYMENTS—
ASDA-MFI Grp 1.25p
Aspinall 6p
Assoc British Foods 1.9p
Australian Industry Dev 15½pc Nts 1987 7.75pc
Berisfords 1.55p
Buffalo & Lake Huron Railway 5½pc 1st MtgPerpBds 2.75pc, 5½pc2ndMtgPerp Bds 2.75pc
Belmer (H.P.) 2.24p
Cardiff Property 1.2p
City Site Estates 0.41p
Continental Illin Overs Fin Corp 15¾pc GtdNts 7.875pc
Conversion 9pc 2000 4pc
Enserch 40cts
Free State Dev & Invest 35cts
Great Western Resources 1.43p
Hardys & Hansons 11.9p
Hogg Robinson 4.37p
Holt Lloyd Intl 1.65p
Ingersoll-Rand 65cts
Mexico Fund 4cts
Park Food 1.4p
RFD 1.12p
Richards 1.1p
Scottish, English & European Textiles 1.6p

TOMORROW

COMPANY MEETINGS—
Carlton Communications, Armourers Hall, 81, Coleman Street, EC, 11.30
Kelsey Inds, Kelsey House, Wood Lane, Hemel Hempstead, Hertfordshire, 11.00
McMullen & Sons, 26, Old Cross, Hertford, Hertfordshire, 12.30
Sturge, General Council of British Shipbuilding, 30-32 St Mary Axe, EC, 11.30
Winterbottom Energy Tst, Great Eastern Hotel, Liverpool Street, EC, 11.00

BOARD MEETINGS—
Finals:
BSR Intnl
Blagden Inds
Fisons
Fleming Merc Inv Tst
Johnstones Paints
Natl Westminster Bk
1928 Inv Tst
Orov Fin
Stat-Plus
Interims:
Telemetrix

DIVIDEND & INTEREST PAYMENTS—
BFG Finance Fltg Rate Nts 1998 $207.81
Barclays Overseas Inv Co Gtd Fltg Rate Nts 2004 $208.97
Cummins Engine 55cts
Fleming Claverhouse Inv Tst 7.4p
Guinness 5.2p
M & G Dual Tst 15.85p
Societe Generale Fltg Rate Nts 1990-95 $4273.61

WEDNESDAY MARCH 5

COMPANY MEETINGS—
Blue Arrow, Connaught Rooms, Great Queen Street, WC, 11.00
Countryside Properties, Great Eastern Hotel, Liverpool Street, EC, 12.00
North Midlands Construction, Nuns Close, County Estate, Huthwaite, Sutton-in-Ashfield, Nottinghamshire, 12.00

BOARD MEETINGS—
Finals:
Ault and Wiborg
Comml Union Assurance
Family Inv Tst
Gen Accident Fire and Life Assurance
Heywood Williams
Midland Bk
Twaner Rutledge
Interims:
Attwoods
Galliford
Sinclair (William)

DIVIDEND & INTEREST PAYMENTS—
Bank of Ireland Und Fltg Rate Prim Cap Nts $218.06
Consolidated Gold Fields Fin Gtd Fltg Rate Nts 1995 £147.17
Gillette 65cts
Gold Fields Property 17cts
Hongkong & Shanghai Banking Prim Cap Und FRN Sec Ser $106.25
New Wits 30cts
North Midland Construction 0.5p
Prudential Fltg Rate Nts 1995 £290.65
Rexnord 11cts
Reynolds (R.J.) Industries 57cts
Vogelstruisbult Metal 70cts

THURSDAY MARCH 6

COMPANY MEETINGS—
Assoc Fisheries, St Ermins Hotel, Caxton Street, SW, 12.00
Grand Metropolitan, Hotel Inter-Continental, One Hamilton Place, W, 11.00

BOARD MEETINGS—
Finals:
Anglo American Gold Inv
Barclays Bk
Biomechanics Intnl
Cadbury Schweppes
Corah
Delaney
Fife Indmar
INSTEM
Lex Service
PP
Stockholders Far East Inv
TI
Interims:
Kleinwort Benson Eurobond Fund
Mitchell Cotts

DIVIDEND & INTEREST PAYMENTS—
Ault & Wiborg 8¼pcDb 1988-93 4.125pc
Bank of Greece 10¾pcLn 2010 (Reg) 2.6988pc, 10¾pcLn 2010 (Br) 5.375pc
Blue Circle Inds 9pcDb 1992-97 4.5p
Christiania Bank OG Kreditkasse Fltg Rate Subord Nts 1994 $427.36
Dares Estates 8pcLn 1992-97 4pc
First Interstate Overseas NV Gtd Fltg Rate Subord Nts 1995 $209.38
Ford Intl Capital 6pcCnvGtdLn 1981-87 3pc
IMI 7¼pcUnsLn 1986-91 3.625pc
Joseph (Leopold) 9¼pcUnsLn 1997-2002 4.625pc
Midland Intern Fin Serv Gtd Fltg Rate Nts 1999 $424.22
Redland 7½pcRedDb 1990-95 3.75pc
Sears Engineering 8¼pcDb 1987-92 4.125pc
Southern Business 1.7p
Sturge 4p
Waddington (John) 10½pcDb 1990-95 5.25pc
Watney, Mann & Truman 7¾pcUnsLn 1994-99 3.825pc, 8pcUnsLn 1990-95 4pc
Whitbread 9¾pcRedDb 1991-96 4.875pc
Yorkshire Chemicals 10pcDb 1991-96 5pc

FRIDAY MARCH 7

COMPANY MEETINGS—
Bett Bros, 9 Cox Street, Dundee, 12.00

BOARD MEETINGS—
Finals:
Alliance Tst
Anglo American Ind
STC
Interims:
Consd Plantations

DIVIDEND & INTEREST PAYMENTS—
Appledore (A. & P.) 4p
BLMC 6prUnsLn 1998-2003 3pc 7½pc UnsLn 1987-92 3.75pc, 8pcUnsLn 1998-2004 4pc
Barclays Bank 7½pcUnsCapLn 1986-91 3.75pc
Elsburg Gold Mining 10.4cts
Global 1p
Higham 7pcDb 1986-91 3.5pc
MS Intl 0.5p
Randfontein Estates Gold Mining 700cts
Ratners (Jewellers) 0.75p
Restmor 0.75p
Rustenburg Platinum 52.5cts
Sainsbury (J.) 7¼pc1stMtgDb 1987-92 3.625pc
Stroud Riley Drummond 1p
TR Pacific Basin Inv Tst 4½pcCumPf 1.575p
THORN EMI 3p
Vibroplant 3.7p
Western Areas Gold Mining 16cts
Westpool Inv Tst 0.344p

SATURDAY MARCH 8

BOARD MEETING—
Interim:
Sime Darby

DIVIDEND & INTEREST PAYMENTS—
Renold 7½pc2ndDb 1992-97 3.8125pc







## FINANCIAL TIMES STOCK INDICES

| | Feb. 28 | Feb. 27 | Feb. 26 | Feb. 25 | Feb. 24 | Feb. 21 | 1985/86 High | 1985/86 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs. | 85.43 | 85.65 | 85.29 | 85.26 | 84.82 | 84.14 | 86.55 | 78.02 | 127.4 | 49.18 |
| Fixed Interest | 90.15 | 90.13 | 89.38 | 89.75 | 88.35 | 88.96 | 90.38 | 83.17 | 150.4 | 50.55 |
| Ordinary | 1277.4 | 1281.6 | 1270.2 | 1264.2 | 1275.8 | 1266.0 | 1281.6 | 911.0 | 1281.6 | 49.4 |
| Gold Mines | 355.9 | 358.2 | 357.0 | 346.5 | 332.1 | 339.7 | 536.9 | 337.9 | 734.7 | 43.5 |
| FT-Act All-Share | 750.83 | 752.86 | 746.18 | 743.95 | 745.75 | 737.64 | 752.86 | 581.88 | 752.86 | 61.92 |
| FT-SE100 | 1545.8 | 1548.8 | 1534.5 | 1527.7 | 1535.0 | 1518.4 | 1549.5 | 1206.1 | 1549.5 | 986.0 |



## EQUITIES

| Issue price p | Amount paid up | Latest Renunc. date | 1985/6 High | 1985/6 Low | Stock | Closing price p | + or − | Net. Div. | Times covered | Gross Yield | P.E. Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 160 | F.P. | 28/2 | 183 | 166 | ♦Brookmount | 179 | −1 | R5.5 | 4.4 | 2.6 | 11.5 |
| 587 | 300 | 7/3 | 348 | 285 | Cable & Wireless 60p | 348 | +1 | F9.2 | 3.9 | 2.1 | 11.0 |
| ‡ | F.P. | — | 175 | 100 | Intl. Inv. Tst. J'rsy wts | 162 | | | | | |
| 105 | F.P. | 14/3 | 145 | 112 | Macro 4 5p | 145 | +1 | u1.0 | 6.5 | 1.0 | 21.8 |
| 1137 | F.P. | 7/3 | 155 | 155 | ♦Microsystems 10p | 155 | | R1.75 | 4.6 | 1.6 | 17.0 |
| 145 | F.P. | | 177 | 165 | PPL 10p | 165 | | u2.5 | 5.0 | 2.1 | 11.1 |
| 80 | F.P. | 4/4 | 92 | 88 | ♦Splice 5p | 88 | +1 | u0.8 | 2.2 | 4.3 | 11.0 |
| ‡ | F.P. | 27/3 | 85 | 7 | Telfos Warrants | 7 | | | | | |
| 215 | F.P. | — | 218 | 215 | Templeton, Galbraith | 216 | | Q5.37c | 3.5 | 5.0 | 28.4 |
| 100 | F.P. | 27/3 | 96 | 85 | Throgmorton USM | 96 | | | | | |
| 135 | F.P. | 24/3 | 175 | 155 | Wellcome | 172 | | u3.08 | 2.8 | 1.7 | 35.2 |
| 120 | F.P. | 26/3 | 18 | 8 | Westland Warrants | 15 | +1 | | | | |
| 140 | F.P. | 7/4 | 146 | 140 | ♦Wickes 40p | 146 | | R2.0 | 4.7 | 6.6 | 18.4 |

## FIXED INTEREST STOCKS

| Issue price £ | Amount paid up | Latest Renunc. date | 1985/6 High | 1985/6 Low | Stock | Closing price £ | + or − |
|---|---|---|---|---|---|---|---|
| 97.205 | £25 | 4/4 | 27¼ | 30¼ | Allied Lon.Props.10¾% 1st Mort.Deb.2025 | 30¼ | |
| 98.555 | £30 | — | 31½ | 30¼ | Anglia Water 1% Deb. 2015 | 31¼ | +¼ |
| ‡ | F.P. | — | 107 | 104 | Anglo-Nordic 11¼% Cm. Pf | 107 | |
| ‡ | F.P. | — | 93 | 91 | Do. 10% Cnv. Uns. Ln. '89-99 | 91 | |
| 100.587 | £25 | 10/5 | 37½ | 25¼ | Centrovincial Ests. 11½% 1st Mort. Db. 2016 | 37¼ | +¼ |
| 99.745 | £25 | 11/4 | 33¼ | 28¼ | First Scot. Am. 11¼% Deb. 2016 | 28¼ | +¼ |
| ‡ | Nil | — | 2pm | 2pm | Lawrence (W.) 8.5% Cnv.Cum.Red.Prf. | 11pm | −1 |
| ‡ | F.P. | 27/3 | 106 | 103 | Lon.Shop Prop. 9½% Cnv.Uns.Ln. '99/04 | 106 | |
| 98.977 | F.P. | 10/3 | 103 | 99 | Mecca Leisure 11½% Deb. 2011 | 100 | |
| 100 | F.P. | — | 100¼ | 100¼ | Nationwide Bldg. Soc. 12½% 9/3/87 | 100¼ | |
| 100 | F.P. | — | 100¼ | 100¼ | Do. 12½% 6/3/87 | 100¼ | |
| ‡ | Nil | 15/4 | 4pm | 8pm | Porter Chad. 8% Cnv.Cum.Red.Prf. '96 | 8pm | |
| 100.014 | F.P. | 16/4 | 100 | 95 | Rosehaugh Greycoat 1¼% 1st Mt Db 2011 | 95 | |
| 100.626 | £25 | 20/5 | 30¼ | 25¾ | Samuel Props. 11¼% 1st Mort. Deb. 2015 | 25¾ | +¼ |
| ‡ | F.P. | 27/6 | 100 | 92 | Telfos 9% Prf | | |
| 101.706 | £25 | 29/5 | 103¼ | 92 | T. T. Finance 11¼% Gtd. Deb. 2016 | 103¼ | |
| 100 | F.P. | — | 100 | 96 | Throgmorton USM 9¾% Cnv.Red.Prf. | 96 | |
| ‡ | Nil | — | 17pm | 8pm | Westland 7¼% Cnv. Cum. Prf. | 9pm | −2 |

## RIGHTS OFFERS

| Issue price p | Amount paid up | Latest Renunc. date | 1985/6 High | 1985/6 Low | Stock | Closing price p | + or − |
|---|---|---|---|---|---|---|---|
| 92 | F.P. | 5/5 | 100 | 67 | ♦Cannon St. Invs. 20p | 67 | |
| 795 | Nil | 31/3 | 65pm | 30pm | Commerzbank DM10 | 50pm | |
| 335 | Nil | 18/3 | 33pm | 16pm | Cray Electronics 10p | 20pm | |
| 85 | Nil | — | 15pm | 15pm | DAB Invs | 15pm | |
| 210 | Nil | — | 345 | 318 | ♦Electron Hse. Units 1 | 343 | |
| 207 | F.P. | — | 20pm | 20pm | Do. 1 | 20pm | |
| 50 | Nil | — | 58pm | 15pm | ♦High Point Services 10p | 58pm | |
| 340 | Nil | — | 24pm | 13pm | Meggitt Hldgs. 5p | 24pm | |
| 915 | Nil | 24/5 | 75pm | 47pm | ♦Midsummer Inns 50p | 75pm | |
| 35 | F.P. | 10/3 | 44 | 38 | Walker (C. & W.) 10p | 43pm | |
| 305 | Nil | — | 28pm | 15pm | Wates City of London | 28pm | |
| 140 | Nil | 8/73 | 34pm | 25pm | Waltham Rv | 34pm | |
| 60 | Nil | | 85pm | 55pm | Westland | 15pm | +8 |

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Assumed dividend and yield. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1986. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. t Indicated dividend; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ‡ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Allotment price. ♦ Unlisted securities market. □ Dealt in under Rule 535 (3). ■ Dealt in under Rule 535 (4) (c). ‡‡ Units comprising two ordinary, one preference and one warrant. † Units comprising one New ordinary and one 6.5 per cent Cnv.Red.Prf.

## PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

| | Date | Announcement last year |
|---|---|---|
| *Anglo American Gold | Mar 5 | Final 560c |
| Assoc British Ports | Apr 3 | Final 5.5 |
| BAT Industs | Mar 27 | Final 8.25 |
| BBA | Mar 15 | Final 0.8 |
| *BICC | Mar 26 | Final 7.04 |
| BSG Intl | Apr 2 | Final 0.65 |
| *BSR | Mar 4 | Final 1.295 |
| BTR | Mar 5 | Final 7.25 |
| *Barclays Bk | Mar 6 | Final 13.5 |
| Babcock Intl | Mar 4 | Final 4.3 |
| *Barratt Developments | Mar 20 | Interim 2.31 |
| Beazer (C. H.) | Mar 26 | Interim 4.0 |
| *Bejam | Mar 12 | Interim 1.75 |
| Bestobell | Mar 20 | Final nil |
| Booker McConnell | Mar 26 | Final 8.25 |
| Bowater | Mar 27 | Final 5.0 |
| Brammer | Apr 3 | Final 5.5 |
| *Brent Chems | Mar 24 | Final 2.75 |
| Bridon | Mar 28 | Final 2.8 |
| Britannia Arrow | Mar 27 | Final 1.4 |
| British Aerospace | Mar 28 | Final 8.4 |
| British Car Auction | Mar 28 | Interim 1.25 |
| Britoil | Mar 21 | Final 8.2 |
| Brown Boveri Kent | Mar 27 | Final 1.5 |
| Bunzl | Mar 27 | Final 4.25 |
| Burton | Mar 27 | Interim 2.5 |
| *Cadbury Schweppes | Mar 6 | Final 4.3 |
| *Cement Roadstone | Mar 12 | Final 2.0 |
| Coates Bros | Apr 2 | Final 3.2 |
| Collins (W.) | Mar 12 | Final 9.0 |
| Combined Eng Stores | Mar 25 | Final 2.94 |
| *Commercial Union | Mar 5 | Final 6.95 |
| Cons Gold | Mar 5 | Interim 8.5 |
| *Cons Plants | Mar 27 | Interim 4.0 |
| *Cookson | Apr 10 | Final 8.25 |
| Croda Intl | Mar 26 | Final 4.25 |
| DRG | Mar 27 | Final 4.5 |
| Delta | Mar 21 | Final 2.68 |
| *De Beers | Mar 11 | Final 27.5c |
| Eastern Produce | Apr 2 | Final 7.5 |
| Enterprise Oil | Mar 26 | Final 5.0 |
| Everad | Apr 2 | Final 1.6 |
| Exco Intl | Mar 20 | Final 4.75 |
| *Fisons | Mar 4 | Final 2.7 |
| *General Accident | Mar 5 | Final 12.0 |
| *General Mining | Mar 13 | Final 135c |
| Glynwed Intl | Apr 3 | Final 8.0 |
| Guardian Royal Exchange | Apr 3 | Final 17.5 |
| *Guest Keen | Mar 4 | Final 8.0 |
| Hepworth Ceramic | Mar 22 | Final 4.0 |
| Hickson Intl | Mar 26 | Final 10.0 |
| Higgs and Hill | Mar 3 | Final 7.6 |
| Home Charm | Mar 26 | Final 1.75 |
| *Hong Kong and Shanghai Bkg | Mar 11 | Final $0.31 |
| Horizon Travel | Mar 18 | Final 3.52 |
| IMI | Mar 14 | Final 2.6 |
| *Kleinwort Benson | Mar 18 | Final 9.0 |
| Ladbroke | Mar 26 | Final 5.523 |
| Laird | Mar 29 | Final 3.2 |
| Legal and General | Mar 28 | Final 14.0 |
| *Lex Service | Mar 5 | Final 6.5 |
| Lesmo | Mar 5 | Final 7.7 |
| *Low and Bonar | Mar 20 | Final 8.7 |
| Lucas Inds | Mar 28 | Interim 2.6 |
| Metal Closures | Mar 27 | Final 4.5 |
| *Midland Bank | Mar 5 | Final 14.5 |
| *Mitchell Cotts | Mar 5 | Interim 1.5 |
| *NatWest | Mar 4 | Final 16.34 |
| Ocean Transport | Mar 27 | Final 8.35 |
| Paterson Zochonis | Mar 19 | Interim 1.56 |
| Pearson | Apr 2 | Final 11.0 |
| P & O | Mar 28 | Final due |
| *Provident Financial | Mar 4 | Final 7.0 |
| *Prudential | Mar 25 | Final 15.0 |
| *Ransomes Sims and Jefferies | Mar 10 | Final 14.0 |
| Reckitt and Colman | Mar 26 | Final 8.6 |
| Rockware | Mar 21 | Final nil |
| Rowntree Mackintosh | Mar 18 | Final 7.4 |
| *Rugby Prtnd Cement | Apr 7 | Final 3.3 |
| *STC | Mar 7 | Final 5.75 |
| *Sime Darby | Mar 8 | Interim 4 sen |
| *Shell | Mar 13 | Final 21.1 |
| Slough Ests | Apr 1 | Final 3.0 |
| Smith and Nephew | Mar 26 | Final 3.15 |
| Staffs Potts | Mar 26 | Interim 1.0 |
| Standard Chartered | Mar 26 | Final 18.0 |
| Steetley | Mar 20 | Final 6.4 |
| Stockley | Mar 19 | Final 4.5 |
| Sun Alliance | Mar 27 | Final 6.6 |
| *Suter | Mar 17 | Final 2.3 |
| *TI | Mar 5 | Final 3.5 |
| *Transport Development | Mar 10 | Final 4.0 |
| *Tricentrol | Mar 26 | Final 6.0 |
| *Turner and Newall | Feb 20 | Final 1.5 |
| *Ultramar | Mar 17 | Final 8.5 |
| Unilever | Mar 4 | Final 24.03 |
| United Biscuits | Mar 13 | Final 4.8 |
| *United Newspapers | Mar 26 | Final 9.0 |
| Wagon Finance | Feb 14 | Final 2.5 |
| Weir | Apr 8 | Final 2.125 |
| Willis Faber | Mar 20 | Final 6.0 |
| Wolseley-Hughes | Mar 13 | Interim 3.0 |
| Woolworth | Mar 28 | Final due |

* Board meeting indicated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.







## Over-the-Counter Market

| Capitalisatn. £000's | Company | Price | Change on week | Gross div. (p) | Yield % | P/E Actual | P/E Fully taxed |
|---|---|---|---|---|---|---|---|
| 4,364 | Ass. Brit. Ind. Ord. | 128 | +2 | 7.3 | 5.7 | 7.8 | 7.3 |
| — | Ass. Brit. Ind. CULS | 133 | +2 | 10.0 | 7.5 | — | — |
| 4,052 | Airsprung Group | 70 | — | 8.4 | 9.1 | 11.7 | 16.2 |
| 850 | Armitage and Rhodes | 34 | +1 | 4.3 | 12.8 | 4.2 | 6.1 |
| 55,240 | Bardon Hill | 172 | +2 | 4.0 | 2.3 | 21.8 | 22.6 |
| 3,138 | Bray Technologies | 57 | — | 3.8 | 6.8 | 7.0 | 8.0 |
| 483 | CCL Ordinary | 138 | — | 12.0 | 8.7 | 3.4 | 3.2 |
| 1,238 | CCL 11pc Conv. Pf. | 99 | — | 16.7 | 16.9 | — | — |
| 6,099 | Carborundum Ord. | 135 | — | 4.9 | 3.6 | 6.7 | 10.5 |
| 637 | Carborundum 7.5pc Pf. | 91 | — | 10.7 | 11.8 | — | — |
| 4,461 | Deborah Services | 57xd | — | 7.0 | 12.3 | 5.8 | 7.8 |
| 3,178 | Frederick Parker Group | 22 | +1 | — | — | — | — |
| 1,806 | George Blair | 98 | +5 | — | — | 4.0 | 7.3 |
| 2,762 | Ind. Precision Castings | 68 | +2 | 3.0 | 4.4 | 17.8 | 16.0 |
| 12,826 | Isis Group | 161 | −2 | 15.0 | 8.3 | 12.4 | 18.6 |
| 6,145 | Jackson Group | 118 | — | 5.5 | 4.7 | 7.8 | 7.8 |
| 46,789 | James Burrough | 335 | +8 | 15.0 | 4.5 | 10.8 | 10.6 |
| 3,247 | James Burrough 9pcPf. | 93xd | +1 | 12.8 | 13.8 | — | — |
| 6,774 | John Howard and Co. | 65 | +1 | 5.0 | 7.7 | 5.2 | 8.1 |
| 30,748 | Minihouse Holding NV | 940 | +50 | 6.8 | 0.7 | 41.0 | 39.0 |
| 683 | Robert Jenkins | 67 | −3 | — | — | 8.7 | 18.1 |
| 1,800 | Scruttons "A" | 30 | — | — | — | — | 7.7 |
| 1,684 | Torday and Carlisle | 89 | — | 5.0 | 7.2 | 3.5 | 6.3 |
| 1,496 | Trevian Holdings | 330 | +6 | 7.8 | 2.4 | 8.5 | 9.1 |
| 7,850 | Unilock Holdings | 50 | +2 | 2.1 | 4.2 | 13.6 | 13.3 |
| 17,562 | Walter Alexander | 137 | +2 | 8.8 | 6.3 | 7.7 | 9.4 |
| 4,868 | W. S. Yeates | 200 | — | 17.4 | 8.7 | 6.7 | 8.8 |

NOTICE OF REDEMPTION

To the Holders of

# Bank of Tokyo (Curaçao) Holding N.V.

## U.S. $100,000,000 12⅝% Guaranteed Bonds Due 1992

NOTICE IS HEREBY GIVEN to the holders of the 12⅝% Guaranteed Bonds Due 1992 (the "Bonds") of Bank of Tokyo (Curaçao) Holding N.V., a Netherlands Antilles corporation established in Curaçao (the "Company"), that pursuant to Condition 5(b) of the Terms and Conditions of the Bonds, the Company has elected to redeem, on April 2, 1986, a part of the Bonds in the aggregate principal amount of U.S. $6,000,000 and bearing the following serial numbers at the redemption price of 101% of the principal amount thereof, together with accrued interest to such date of redemption which will amount to $21.74 for each Bond.

### SERIAL NUMBERS OF BONDS TO BE REDEEMED

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 20 | 2580 | 4916 | 7479 | 10177 | 12840 | 15265 | 17770 | 20590 | 22930 | 25265 | 28298 | 30611 | 33040 | 35783 | 38038 | 40357 | 43132 | 45812 | 48200 | 50510 | 53080 | 55679 | 58120 | 60539 | 63250 | 65719 | 68254 | 70638 | 72945 | 75736 | 77893 | 80317 | 82838 | 85038 | 87606 | 89988 | 92701 | 95184 | 97391 |
| 45 | 2610 | 4941 | 7485 | 10184 | 12842 | 15285 | 17786 | 20599 | 22950 | 25271 | 28317 | 30613 | 33065 | 35788 | 38046 | 40367 | 43144 | 45615 | 48202 | 50524 | 53088 | 55683 | 58143 | 60636 | 63264 | 65724 | 68255 | 70650 | 72947 | 75744 | 77908 | 80396 | 82839 | 85049 | 87620 | 89994 | 92714 | 95198 | 97422 |
| 50 | 2653 | 4981 | 7493 | 10204 | 12850 | 15286 | 17805 | 20602 | 22962 | 25276 | 28331 | 30628 | 33113 | 35800 | 38053 | 40378 | 43154 | 45628 | 48207 | 50560 | 53093 | 55698 | 58155 | 60637 | 63304 | 65760 | 68257 | 70662 | 72973 | 75745 | 77928 | 80406 | 82851 | 85118 | 87631 | 90023 | 92718 | 95209 | 97441 |
| 68 | 2661 | 5008 | 7495 | 10214 | 12869 | 15305 | 17811 | 20616 | 22975 | 25277 | 28335 | 30631 | 33139 | 35811 | 38056 | 40433 | 43188 | 45629 | 48218 | 50580 | 53119 | 55702 | 58162 | 60659 | 63313 | 65772 | 68258 | 70689 | 72975 | 75750 | 77951 | 80423 | 82860 | 85148 | 87635 | 90029 | 92737 | 95220 | 97472 |
| 79 | 2672 | 5010 | 7514 | 10228 | 12884 | 15324 | 17824 | 20619 | 22986 | 25293 | 28340 | 30648 | 33180 | 35827 | 38069 | 40443 | 43203 | 45645 | 48244 | 50614 | 53132 | 55755 | 58184 | 60661 | 63344 | 65774 | 68265 | 70691 | 72986 | 75752 | 78056 | 80428 | 82874 | 85174 | 87669 | 90032 | 92741 | 95238 | 97477 |
| 113 | 2675 | 5036 | 7518 | 10233 | 12885 | 15346 | 17879 | 20648 | 22993 | 25294 | 28352 | 30672 | 33181 | 35879 | 38127 | 40454 | 43204 | 45646 | 48253 | 50628 | 53134 | 55788 | 58191 | 60664 | 63363 | 65787 | 68272 | 70696 | 72999 | 75774 | 78068 | 80438 | 82879 | 85185 | 87681 | 90100 | 92753 | 95265 | 97535 |
| 116 | 2699 | 5037 | 7532 | 10241 | 12888 | 15367 | 17886 | 20669 | 23005 | 25300 | 28417 | 30695 | 33193 | 35912 | 38138 | 40455 | 43216 | 45654 | 48254 | 50632 | 53139 | 55805 | 58194 | 60668 | 63367 | 65798 | 68317 | 70718 | 73023 | 75775 | 78071 | 80454 | 82892 | 85190 | 87687 | 90113 | 92759 | 95269 | 97554 |
| 120 | 2707 | 5040 | 7557 | 10249 | 12901 | 15380 | 17894 | 20696 | 23009 | 25325 | 28426 | 30696 | 33212 | 35940 | 38157 | 40459 | 43220 | 45666 | 48257 | 50638 | 53175 | 55811 | 58199 | 60694 | 63382 | 65809 | 68335 | 70721 | 73025 | 75787 | 78087 | 80461 | 82898 | 85201 | 87750 | 90162 | 92797 | 95279 | 97557 |
| 150 | 2709 | 5042 | 7564 | 10253 | 12921 | 15384 | 17918 | 20706 | 23022 | 25355 | 28431 | 30757 | 33245 | 35946 | 38173 | 40466 | 43259 | 45732 | 48271 | 50652 | 53185 | 55877 | 58217 | 60724 | 63394 | 65810 | 68337 | 70722 | 73029 | 75815 | 78115 | 80471 | 82900 | 85264 | 87755 | 90176 | 92827 | 95289 | 97562 |
| 196 | 2729 | 5064 | 7591 | 10257 | 12945 | 15408 | 17929 | 20710 | 23036 | 25364 | 28454 | 30764 | 33254 | 35970 | 38198 | 40473 | 43300 | 45796 | 48277 | 50656 | 53200 | 55894 | 58242 | 60770 | 63399 | 65829 | 68358 | 70736 | 73033 | 75830 | 78123 | 80473 | 82955 | 85269 | 87782 | 90207 | 92844 | 95297 | 97580 |
| 187 | 2749 | 5073 | 7625 | 10293 | 12951 | 15413 | 17932 | 20733 | 23045 | 25368 | 28460 | 30801 | 33264 | 35981 | 38230 | 40475 | 43312 | 45800 | 48278 | 50658 | 53215 | 55913 | 58250 | 60797 | 63429 | 65864 | 68373 | 70746 | 73038 | 75835 | 78126 | 80487 | 82995 | 85294 | 87819 | 90212 | 92861 | 96320 | 97598 |
| 212 | 2768 | 5093 | 7686 | 10318 | 12957 | 15462 | 17965 | 20776 | 23077 | 25378 | 28472 | 30811 | 33267 | 35986 | 38240 | 40478 | 43316 | 45814 | 48279 | 50673 | 53219 | 55958 | 58269 | 60801 | 63432 | 65872 | 68381 | 70755 | 73042 | 75839 | 78138 | 80521 | 83001 | 85296 | 87869 | 90258 | 92878 | 95328 | 97625 |
| 236 | 2775 | 5108 | 7712 | 10412 | 12969 | 15476 | 17980 | 20780 | 23122 | 25393 | 28474 | 30820 | 33277 | 36001 | 38241 | 40485 | 43317 | 45828 | 48292 | 50677 | 53270 | 55973 | 58275 | 60814 | 63447 | 65888 | 68387 | 70764 | 73060 | 75847 | 78200 | 80539 | 83002 | 85318 | 87890 | 90291 | 92888 | 95333 | 97645 |
| 240 | 2781 | 5160 | 7714 | 10419 | 12988 | 15507 | 17985 | 20785 | 23128 | 25418 | 28478 | 30828 | 33283 | 36012 | 38260 | 40501 | 43338 | 45840 | 48307 | 50679 | 53300 | 55975 | 58278 | 60815 | 63453 | 65890 | 68398 | 70772 | 73083 | 75853 | 78207 | 80579 | 83003 | 85329 | 87915 | 90314 | 92894 | 95334 | 97663 |
| 250 | 2862 | 5187 | 7720 | 10426 | 13041 | 15520 | 17986 | 20797 | 23130 | 25491 | 28490 | 30881 | 33296 | 36016 | 38275 | 40508 | 43368 | 45841 | 48327 | 50699 | 53309 | 56027 | 58361 | 60825 | 63468 | 65910 | 68403 | 70776 | 73101 | 75855 | 78248 | 80583 | 83016 | 85331 | 87925 | 90321 | 92908 | 95342 | 97669 |
| 251 | 2867 | 5195 | 7777 | 10454 | 13066 | 15538 | 18047 | 20830 | 23168 | 25530 | 28502 | 30883 | 33318 | 36040 | 38289 | 40519 | 43374 | 45868 | 48367 | 50767 | 53317 | 56034 | 58367 | 60834 | 63489 | 65921 | 68440 | 70798 | 73113 | 75856 | 78308 | 80617 | 83021 | 85348 | 87931 | 90322 | 92917 | 95348 | 97695 |
| 340 | 2881 | 5238 | 7799 | 10479 | 13185 | 15574 | 18104 | 20839 | 23194 | 25549 | 28503 | 30893 | 33366 | 36041 | 38294 | 40546 | 43377 | 45899 | 48379 | 50786 | 53365 | 56039 | 58371 | 60881 | 63491 | 65933 | 68448 | 70805 | 73118 | 75875 | 78321 | 80623 | 83022 | 85355 | 87945 | 90357 | 92920 | 95355 | 97704 |

Payment of the redemption price and accrued interest to such date of redemption will be made on or after April 2, 1986 upon presentation and surrender of the Bonds to be redeemed, together with all appurtenant coupons maturing subsequent to April 2, 1986 at the principal offices of any of the following Paying Agents, namely, The Bank of Tokyo Trust Company in New York City, The Bank of Tokyo, Ltd. in Brussels and London, The Bank of Tokyo (Luxembourg) S.A. in Luxembourg and Bank of Tokyo (Switzerland) Ltd. in Zurich, except that payment of the above-mentioned accrued interest will be made only at the aforesaid office of any Paying Agent other than the Paying Agent in New York City.

On and after April 2, 1986, interest on the Bonds to be redeemed will cease to accrue.

**BANK OF TOKYO (CURAÇAO) HOLDING N.V.**

*By:* The Bank of Tokyo Trust Company

*as Fiscal Agent*

Dated: March 3, 1986

Notice of Redemption

TO THE HOLDERS OF

## Occidental International Finance N.V.

**16¾% Guaranteed Notes due 1987**

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of Section 3.01 of ARTICLE III of the Indenture dated as of March 1, 1982, (the "Indenture") among Occidental International Finance N.V., Occidental Petroleum Corporation and Chemical Bank, as Trustee, (the "Trustee"), there is hereby called for redemption on April 1, 1986 (the "Redemption Date") all of the 16¾% Guaranteed Notes due 1987 at the redemption price of 100.5%, together with interest accrued thereon to the Redemption Date (the "Redemption Price").

On and after the Redemption Date the Notes will become due and payable upon presentation and surrender thereof, with all coupons maturing subsequent to April 1, 1986, attached, either, at the option of the holder, **at the office of Chemical Bank, Corporate Trust Tellers, 55 Water Street, Room 234, 2nd Floor North Building, New York, New York 10041 or at the main office of Swiss Bank Corporation in Basle, the principal paying agent, or at the main office of Algemene Bank Nederland NV in Amsterdam, or at the main office of Banque Bruxelles Lambert S.A. in Brussels, or at the main office of Westdeutsche Landesbank Girozentrale in Dusseldorf, or at the main office of Swiss Bank Corporation (Luxembourg) Limited in Luxembourg, or at the main office of Banque de Paris et des Pays-Bas in Paris.**

Interest on the Notes so designated for redemption shall cease to accrue on and after the Redemption Date. All coupons maturing after said date which appertain to such Notes shall be void. Coupons maturing on April 1, 1986, should be detached and surrendered for payment in the usual manner.

**Occidental International Finance N.V.**
**By: Chemical Bank, Trustee**

Dated: February 24, 1986

## SWISS VOLKSBANK FINANCE (CAYMAN ISLANDS) LTD.

Grand Cayman

### Notice to holders of the Warrants («A» and/or «B») under the 6½% US$ 75 million Guaranteed Notes with Warrants 1985–90

We refer to the capital increase of Swiss Volksbank and the corresponding notice to the Warrantholders of January 22, 1986.

In accordance with the Terms of the Notes as specified in the Description of the Warrants, the exercise price per Warrant for one Swiss Volksbank Share of SFr. 500 nominal amount was adjusted as follows:

**Warrant A** from SFr. 1980.— to SFr. 1894.–
**Warrant B** from SFr. 2080.— to SFr. 1994.–

The adjusted exercise prices are effective as of February 26, 1986.

March 3, 1986

**Swiss Volksbank**
**Finance (Cayman Islands) Ltd.**



INSURANCE

# New moves to revise sales force control

BY ERIC SHORT

REVISED proposals for stricter controls on life assurance sales people could introduce a system of registration instead of previously called for licensing. There are no current formal controls over sales people, except for registered insurance brokers who are controlled by an Act of Parliament introduced in 1977.

Last August, the marketing of Investments Board Organising Committee (Miboc), which handles the marketing aspects of investment protection, suggested a system of licensing all life assurance and unit trust sales people. Though the life assurance industry generally supported the proposals, the banks and building societies were openly hostile, and the Office of Fair Trading and the consumer bodies expressed serious reservations.

Since then, the Financial Services Bill has been laid before Parliament and is currently at the committee stage. Last week, the main Securities and Investments Board published its conduct of business rules. In the wake of these changes, Miboc last week published revised proposals for a system of registration rather than licensing.

The main proposal in the bill is that all companies dealing in investments must, as a condition of authorisation, take full responsibility for their employees in all dealings with clients. This means that employers will be responsible for their representatives' honesty, training to the necessary level of competence and supervision. At all times, sales people must operate on the "best execution" principle in handling clients' requirements.

The draft conduct of business rules ban extra payments for volume business and benefits-in-kind. They also require firms to keep records of complaints from clients. Disciplinary action will be taken against an employer in the event of misconduct by an employee, including the ultimate sanction of loss of authorisation.

Miboc considers that, as far as life assurance and unit trust selling is concerned, the proposals would cause severe administrative problems, simply because of the sheer numbers involved and the geographical spread.

There are some 50,000 firms located in all darts of the country, involving around 100,000 full-time employees and another 100,000 part-time sales people. The turnover of salespeople is rapid, averaging around 25,000 e year. There are e very high number of firms that are sole traders and small partnerships.

Mr Mark Weinberg, chairman of Miboc, claims that it would be administratively impossible to check thet the firms would be meeting their obligations towards salespeople under Miboc's proposals.

- All salespeople would have to be registered with e central registry before being allowed to sell or advise of life assurance and unit trusts.
- Registration could be made only when the individual had passed the necessary single competence test.
- Application for an individual to go on the register would be made by the employer, who would certify that the necessary test had been passed and the probity requirements fulfilled.
- All complaints against a registered sales person, either by e client or by an employer, would be entered on the register. All employers would be required to consult the register before making an appointment.
- Both the employer and the employee would face disciplinary action in the event of an employee's misconduct. The ultimate penalty for the employee would be removal from the register, and thus the ability to sell.
- Employees selling for at least six months would have three years to cooform to the requirements. Those with fewer than six months experience would cease selling immediately until registered, but they would have at least six months' warning of changes.

Banks and building societies, the Office of Fair Trading and the consumer bodies still oppose the principle of individual control in whatever form. Only the life assurance industry still supports the principle.

## Contracts and Tenders

### KENANA SUGAR COMPANY LIMITED

**PREQUALIFICATION FOR PORT SUDAN SUGAR WAREHOUSE**

Kenana Sugar Company Limited operates one of the largest sugar estates at Sufelya, near Rabak, 250 km south of capital, Khartoum, and about 1,200 km from the sea port, Port Sudan.

Kenana wishes to ascertain whether you would be interested in tendering for the above project. Tenders will be invited from a list of selected contractors. The project is to be financed by the Saudi Fund for Development and the list of prequalified contractors is subject to their approval. The eventual form of contract and payment conditions will also reflect their normal requirements.

The project will consist of the construction, in Port Sudan, of a sugar warehouse of approximately 12,000 sq metres in floor area. The warehouse will be of steel portal frames, 6m to eaves, either 40m clearspan or two 20m spans, clad in single-skin, colour-coated trapezoidal-profile, steel sheeting. There will also be approximately 500m sq metres of offices and ancillary buildings and 250 sq metres of workshops and stores.

Interested tenderers are requested to forward as soon as possible the prequalification documents, including a brief report on major construction works recently executed by them along with last annual financial report, to Kenana Sugar Company Limited, P.B. No. 2632, Khartoum, Democratic Republic of the Sudan, clearly marked for the attention of Mr. Abdullahi Abu El Gasim, so as to reach not later than 31st March, 1986.

The information given above is tentative and will form no part of any eventual contract.

## Company Notices

**INDUSTRIAL BANK OF FINLAND LIMITED**
**UA 15,000,000**
**7% 1978/1993**
**Guaranteed Bonds**

On February 17, 1986 Bonds for the amount of UA 1,065,000 have been drawn in the presence of a Notary Public for redemption on April 5, 1986.

The following Bonds will be redeemable coupon due April 5, 1987 and following attached:

11159 to 11164 inc 11169 to 11199 inc
13240 to 13262 inc 13271 to 13304 inc
13306 13308 to 13323 inc
13331 to 13343 inc 13365 to 14315 inc

Amount purchased on the market: UA 415,000
Amount outstanding: UA10,500,000
Outstanding previously drawn Bonds: none

The Fiscal Agent
KREDIETBANK S.A. LUXEMBOURGEOISE

Luxembourg
March 3, 1986

**US$ 100,000,000**
**SOCIETE NATIONALE DES CHEMINS DE FER FRANCAIS**
12⅞% Guaranteed Notes due 1992 with detachable Warrants to purchase US$100,000,000 12⅞% Guaranteed Notes due 1992

**NOTICE OF PARTIAL REDEMPTION**

Notice is hereby given that pursuant to the fiscal agency agreement dated as of December 13th, 1984 between SNCF and Banque Nationale de Paris (Luxembourg) S.A. The following notes in the principal amount of US$2,000,000 have been drawn by lot and are due for redemption on April 3rd, 1986 at the offices of the paying agents at 101% together with accrued interest thereon to said redemption date.

003062-003190 002336-002617
002698-002806 002834-003286
003485-003507 101066-101203

The Fiscal Agent
BANQUE NATIONALE DE PARIS (LUXEMBOURG) S.A.

## Legal Notice

**WIRRAL AUTOMOTIVE PAINTS LIMITED**

NOTICE IS HEREBY GIVEN, pursuant to Section 588 of the Companies Act, 1985, that a Meeting of the Creditors of Wirral Automotive Paints Limited, will be held at the offices of Leonard Curtis & Partners, 46, Rodney Street, Liverpool L1 9AA, on Wednesday the 12th day of March 1986 at 12 o'clock midday, for the purposes provided for in Sections 589 and 590.

Dated this 21st day of February 1986.
R. A. P. JACKSON,
Director.

**BRASCAN LIMITED**
**Class "C"**
International Depositary Receipt (IDR) issued by Morgan Guaranty Trust Company of New York, Brussels Office

A distribution of C$0.40 per depositary share less any applicable taxes and fees will be payable on and after March 7, 1986 upon presentation of coupon No. 37 at any of the following offices of Morgan Guaranty Trust Company of New York:
New York, 30 West Broadway
Brussels, 35 avenue des Arts
Antwerp, 6 Keyserlei
London, 1 Angel Court
Paris, 14 Place Vendôme
Frankfurt, 46 Mainzer Landstrasse
Zurich, 38 Stockerstrasse
and Banque Générale du Luxembourg, 27 avenue Monterey Luxembourg



هكذا صبة للأصل

# FINANCIAL TIMES SURVEY

Monday March 3 1986

# Conferences and Exhibitions

The growing number of events in the UK is putting pressure on the available facilities. More investment is needed to match the scale and quality of competing venues in Continental Europe

## More awareness in industry

**By Walter Ellis**

A BOOM, according to the Oxford English Dictionary, is a "deep resonant sound." The noise emitted by the UK exhibition and conference industry, which has been booming for the last 20 years, is more that of cash registers ringing. Growth has been continuous, so that one of the main difficulties the industry faces is lack of facilities to meet the demand.

In the opinion of those who organise them, exhibitions and conferences yield practical results: Exhibitions boost sales and conferences improva efficiency. This is the message. If it were proven untrue, we are told, organisers would have been rumbled long ago and their clients' budgets redistributed elsewhere.

What the evidence suggests is an increased level of awareness within British industry of the need for exhibitions and conferences, combined with annoyance at their cost, and frustration abont inadeqnate or over-booked facilities. The customers are there: they do not always feel they are getting the best possible deal.

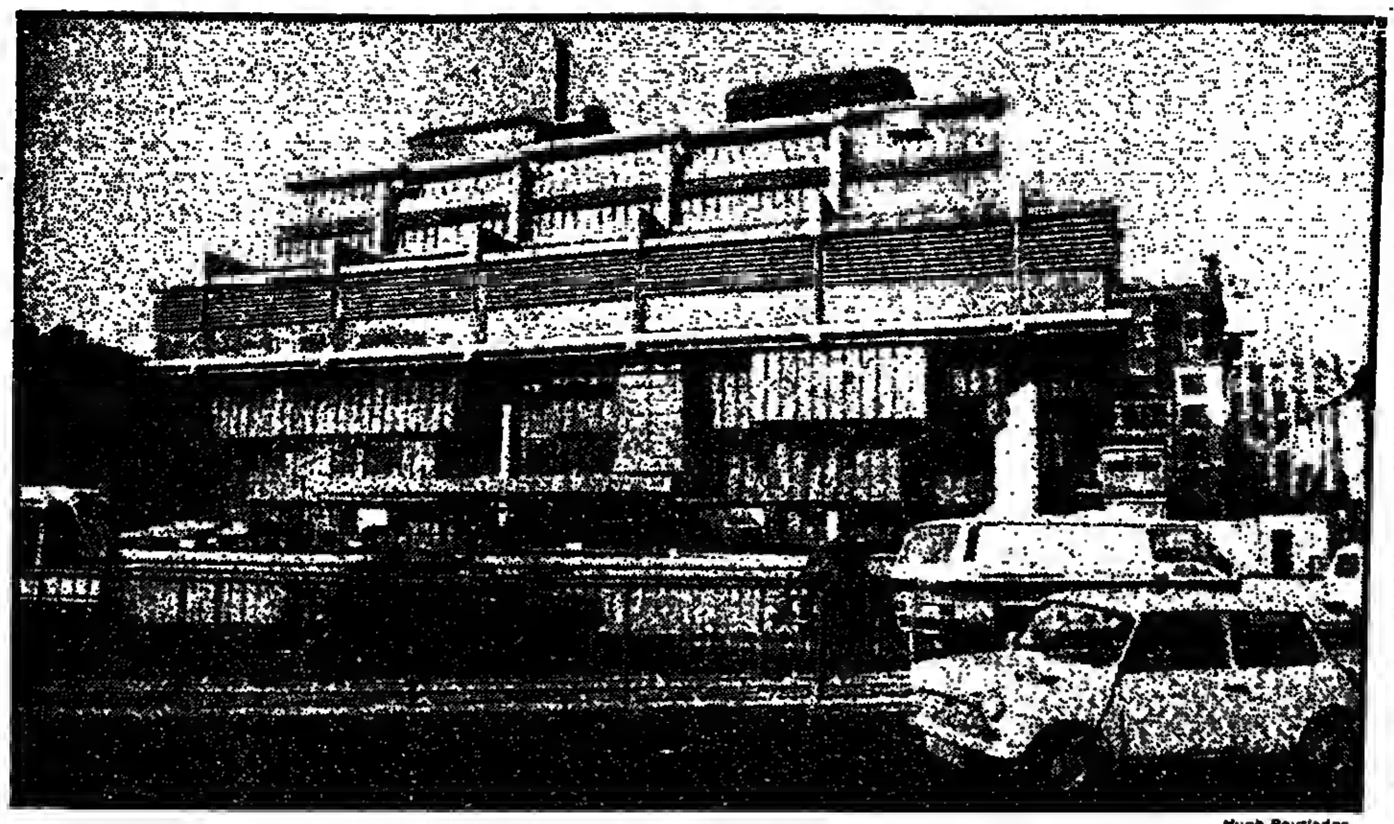
Exhibition expenditure by UK exhibitors alone increased from £29m to £191m between 1975 and 1985. Comparing 1983 with 1984, spending overall rose by 25 per cent, against 14 per cent for newspaper advartising and 12 per cent for advertising on television. The industry is now claiming a 16 per cent annual growth in real terms.

In 1983—the last year for which complete figures are available—revenne from 393 specialist end consumer exhibitions in major venues reached £572m, 16 per cent of which came from overseas. More than 700 exhibitions in all were held and the total number of visitors exceeded 6.7m.

Figures for conferences are less precise, mainly because of the mixed nature of the trade. Hundreds of conferences and seminars are held every day, many of them small affairs in minor botels. Even so, it is reckoned that some £800m is being spent annually on the UK conference circuit, with mnch of it coming from abroad.

Britain as an international conference location really took off in the 1960s, and by the 1970s London was the world's prime conference centre. Growth slowed somewhat in the early 1980s as the result of economic recession, but an improvement was recorded in 1985 and further expansion is expected this year.

The "meetings industry," as it is now being described, is thus an established part of the UK service economy and an important earner of foreign exchange. But there are signs that the exhibition sector is far from achieving its full international potential, while Paris, the Riviera and such "high efficiency" countries as West Germany and Switzerland are eating into Britain's share of the lucrative conference market.



Hugh Routledge

London's prestige new Queen Elizabeth II conference centre, at Westminster, opens this summer

The UK exhibition industry faces three main problems:

- Britain is peripheral to Europe's main markets.
- London, the capital and preferred location, has no large-scale, up-to-date centre.
- Costs to exhibitors are greater than almost anywhere else.

London's lack of anything to compare with the facilities in just about any major city in Northern Europe, nnt to mention Barcelona and Milan, also puts it at an absurd disadvantage. London is what most UK visitors, and a majority of native Britons, consider to be Britain's shop window. Yet the purpose-built exhibition halls available, including Earl's Court and Olympia, are no more than medium-sized by international standards and are in most cases decades old.

The fact that Earl's Court and Olympia has begun to carry out ambitious expansion plans will not change this. Earls Court has spent £25m on improved facilities since 1980, and a planned new hall wil increase available floor space by more than 25 per cent. More parking space will also be provided. Bot is it eoough?

What London needs, according to all objective voices in the industry, is a new first division facility. There are persistent whispers that one is to be constructed alongsida the M4 motorway, between West London and Heathrow Airport—one of Europe's primary and most accessible locations, linked to the Channel by M25.

Two arguments militate against a new London venue, however. First, Britain already has an award-winning National Exhibition Centre (NEC) just outside Birmingham, which this year celebrates its 10th anniversary. To open a second in London, the NEC maintains, would be an unnecessary duplication of effort and a betrayal of the view that there is more to the UK than its already bloated capital city.

The second argument against a new mega-hall for London is that tha trend, particularly in the UK is towards smaller, highly-specialised shows with their clientele precisely targeted. It is felt that monster exhibitions in halls straining at the seams often look good but attract too much casual interest among people unlikely to place orders for the goods on show.

Mr Paul Saulter, newly-appointed first chief executive of the Association of Exhibition Organisers (AEO) and until recently head of Manchester Chamber of Commerce, is clear abont what the industry wants.

"The attractions of London are very strong," be says. "The NEC has dune some superb work and offers some nf the best facilities in the country. But it still has problems holding on to exhibitions. It is just a question of the pull of London."

Mr Saulter stresses that he is not in favour of a replacement for the NEC, whose expansion plans he supports. Like others, however, he does perceive a strong case for a new dimension for London.

Dr Fred Lawson, senior lecturer in tourism, planning and design at the University of Surrey, agrees. In a recent report, Exhibition Facilities in London — Providing for the Future, commissioned by the British Tourist Authority, he reveals that three quarters of all exhibitors, organisers and contractors see a need for a new London venue. Many, he adds, were quite vehement in their opinions on the subject.

The report is careful not to exaggerate the potential of a new London centre but concludes that, with the right support, it could yield revenues of more than £200m per year.

Mr John Cole, the NEC's marketing manager, is already bending himself to the task abeed. A naturally optimistic man, he sees the National Exhibition Centre not just as an example of civic initiative, made possible by the unique enterprise of the Birmingham city and West Midlands county councils, hut as a means of redressing the old imbalance of exhibition trade between Britain and Europe.

He reminds doubters that Birmingham is already by far the biggest and most modern large exhibition venue in the UK and has received city and county approval for a £200m programme of expansion.

Certainly tha capital is not going tn have everything its own way. The NEC has established itself as Britain's market leader in the industry and in 1984 generated 37 per cent of all spending by UK exhibitors. If Birmingham should secure the 1992 Olympic Games, with the NEC as principal site, its profile could be raised right ont of London's reach.

But other factors are at work as well. One-third of the total spending in 1984 arose from activities of halls outside both London and Birmingham. Manchester G-Mex and the Scottish Exhibition Centre, in Glasgow — both government-aided — are rapidly establishing their reputations, and other venues are determined not to be left behind.

The third problem to be tackled is cost. Exhibition space in Britain is now the most expensive in Europe, reckoned by the AEO to be a threat to the industry's future. Space in Britain is provided in the main by private enterprises enjoying no public subsidies, and the need for a commercial return on investment contrasts sharply with the financial accommodation reached on the Continent between municipal and trade associatinn organisers, on tha one hand, and intending exhibitors on the other.

One development which has had a beneficial effect on exhibition revenne in recent years has been the increasing link-up with conferences. Businessmen, it is nnw recognised, do not merely wish to have new machinery demonstrated, they want to give proper consideration to the implications of change it could mean for their company at every level. Conference tie-ups have proved popular and seminar facilities are fast becoming an integral part of exhibition venues.

Conferences themselves are in nne sense a victim of their own success. So many businesses and professional groupings now use seminars, conventions and conferences that the countrv's capacity to absorh them all is in danger of being exhausted.

What is beyond disputa is that Paris has been making steady headway in its war with London for the bulging wallets of the conference trade. But the UK industry, with the prestige new Queen Elizabeth Centre at Westminster ultra-secure and with the imprimatur of government—as its flagship when it opens this summer, is fighting back. If costs this yaar can be prevented frnm running riot, the outlook appears brighter than for several years.

## Conferences and Exhibitions 2

# Benefits of Europe's centres

### International markets

WALTER ELLIS

The Channel Tunnel, scheduled to open in the 1990s, should make Britain an increasingly accessible country.

But while juggernauts from the Continent thunder along Britain's roads, there is a patchy awareness among UK exhibition and conference organisers of the European and world dimension.

Britain and particularly London is long established as one of Europe's main international conference centres. Only Paris has a similarly busy schedule of top events. In the increasingly lucrative exhibitions sector, however, the UK is left far behind by West Germany, Belgium, Italy and France.

Birmingham's National Exhibition Centre may be in the middle of England but from the Continent it seems more remote. Businessmen and companies considering which fairs to cover have to be convinced that it is worth crossing the channel to journey to the middle of England when they could drive instead to Hanover, Brussels or Milan.

A second consideration is the likely customer profile. On the Continent a large proportion of potential buyers of exhibited goods come from outside the country in which the exhibition is sited. In Britain, the great majority are from the UK.

Improved communications mean the UK option need not be considered a journey to the periphery. Britain is also a major export market and increasingly integrated into the European economy, which should involve e large foreign participation. Yet a psychological barrier remains, and such hurdles are frequently the most difficult to clear.

UK exhibitions derive 16 per cent of revenues from overseas, which looks good until compared with other countries. In West Germany, trade fairs attract nearly eight times as many foreign exhibitors as their UK counterparts and more than five times the number of foreign visitors. In France, there are four times as many outside exhibitors as in Britain, and similar statistics apply to Belgium and Italy.

Yet the Birmingham NEC was again voted "best exhibition centre in the world" in 1985 by readers of Conferences and Exhibitions International, and its plans for doubling capacity over the next 20 years should ensure its continuing high reputation abroad. Cash is also being poured into Earl's Court and Olympia in London and there have been dramatic developments in Manchester and Glasgow.

#### Trend

In 1984—a peak year for the NEC which is unlikely to be surpassed until 1988—Birmingham attracted several important "internationals." The printing machinery fair (IPEX), the plastics machinery exhibition (Interplas) and the building and construction showpiece, Interbuild, joined the International Spring Fair and the Motor Show as mainline events.

Yet the trend in Britain towards smaller, specialist exhibitions is working against such developments. The NEC may be widening its horizons but other UK centres are often content to occupy regional and national slots in the fairs calendar. Merely prefacing the name of the show with "international" is no guarantee of a cosmopolitan approach.

While Britain adjusts, European venues continue to expand. The NEC, by far the largest exhibition facility in Britain, is at 105,000 sq metres only the 10th biggest in Europe. It is dwarfed by the Hanover centre (471,000 sq metres) and is smaller even than the lesser of the two main Paris centres, the ultra-modern Paris Nord.

The planned doubling of the NEC would leave it slightly smaller than the third-largest West German centre, in Cologne, and far short of the primary venues in Frankfurt and Milan.

Dr Fred Lawson, of the University of Surrey, says in the report commissioned by the British Tourist Authority, that Britain has fallen well behind European competitors in developing a substantial exhibition base. His view is hotly contested by the NEC, Earl's Court and Olympia, but appears largely supported by the facts.

"Future trends and prospects give rise to even more concern when account is taken of the enormous investment which is being made in new and extended exhibition facilities in many of the main centres of commerce and trade throughout Europe and the world," Mr Lawson says.

Economic benefits from overseas earnings justify e greater government role in encouraging and supporting the exhibition industry, he says.

If Britain could attract the same level of foreign exhibitors as West Germany, the annual value of overseas earnings could increase fivefold, exceeding £500m. At the level of foreign participation in France, the increase would be 360 per cent, producing £350m.

The report points out that London has great advantages because of its history and tradition, its theatrical life and the finest museums and galleries. It is also served by the world's largest international airport (Heathrow) and two other airports, with a fourth to come in the revitalised Docklands. Yet it lacks an exhibition centre of international dimensions.

There is talk of a new venue to join Earl's Court, Olympia and the Barbican Centre, but this could be another medium-sized facility when the city needs a centre in excess of 150,000 square metres to compete with other countries.

By contrast, the London conference circuit can boast e long string of successes, with big meetings like last year's conference of the American Bar Association bringing millions of dollars into the city.

Even here, however, there is a danger of slippage. Mr Tom Brock, managing director of IFS, a German-owned but British-based conference organiser, says that neither conference centres nor hotels in London try hard enough to attract business or satisfy customer requirements.

"Once we would get civic receptions at a big technology conference, but not now," he says. "Budgets have been cut. We bring £50,000 to £100,000 to the city, but they will not spend any money on us."

Mr Brock complains that if he wants a conference in London he has to book two or three years ahead—and even then there will rarely be guarantees of an adequate numbers of hotel beds.

Nor does British Airways help. Elsewhere in Europe, national airlines are normally selected as conference carriers. Barter deals and other concessions are available and there is a large measure of assistance. British Airways offers nothing, Mr Brock says. "They are not interested."

#### Attraction

One grand attraction about to come on to the London conference scene is the Queen Elizabeth II Conference Centre in Westminster, opposite Westminster Abbey and close to the Houses of Parliament. This is intended as tha Government's official conference venue and is a lavish monument to the belief that "British is best."

The Wembley Conference Centre and the NEC's Metropole Hotel will have to look to their laurels as the UK gains e valuable international showpiece to rival the best that Paris can offer.

Birmingham, meanwhile, is not only offering an expanded version of the Metropole adjacent to the NEC, but is about to start building an International Convention Centre with the aid of £37m in grants from the European Regional Development Fund. The new building will follow the example set by tha startlingly successful ICC in West Berlin and provide a conference hall for up to 1,500 participants.

# Making up lost ground

### UK investment

LORNE BARING

INVESTMENT in UK conference and exhibition facilities is now running at record levels, though this must be seen against a background of low investment when compared with competitor countries in the past 20 years.

The UK therefore has much ground to make up in a keenly competitive international business and Continental countries are not standing still. But UK decision-makers are clearly aware that the industry offers great opportunities.

Some of this zeal may result from the desperation felt in many areas about unemployment and the decline of traditional industries, but good progress has been made.

Perhaps just as important, new centres have emerged through the use of existing resources, such as renovation of the fire-damaged Alexandra Palace and the conversion of historic buildings such as the old Central Station in Manchester, now being gutted and restored to provide around 10,000 sq metres of exhibition space.

The most significant new investment, however, is that of the National Exhibition Centre, which is now entirely bound up with the outcome of Birmingham's bid for the 1992 Olympic Games. Many observers now believe that the NEC site, with its surrounding facilities, is without doubt the best location on offer.

#### Expansion

In broad terms the holding of the games in Birmingham would allow substantial investment, at costs which could be offset, at Britain's premier exhibition venue and the NEC would be quickly propelled into a new league.

The NEC was already poised for more expansion based on a compact grouping of halls providing 100,000 sq metres of display space. The first phase, Hall 9, will raise capacity at the NEC by 20,000 sq metres.

The design task is formidable since the new hall has not only to be integrated into the existing complex but must also serve as part of a second group of halls almost twice tha size of the NEC over the next 20 years.

At present the NEC is the tenth largest exhibition venue in Europe and is bard pressed to accommodate its larger events. The NEC is now running about 45 shows a year, though in two years this is likely to rise to 66.

Mr Lyndon Jenkins, NEC iofonnation officer, poiots out that the doubling would make the NEC only the sixth largest site in Europe, wbich shows the capacity of the continental competition.

Tbe main reason for expansion, however, was to accommodate natural growth within the UK while at the same time maintaining the high level of usage which is so important for the success of a major exhibition centre.

New building at tha NEC would have already started but for the Olympic games hld, which means that tha first new hall would ha used temporarily as the communications centre for the games. Its design would therefore need to be modified slightly.

Whatever the ontcome, the new hall will be ready in time for the demand peak in 1983 and there will be a new building every four years thereafter.

The other major beoefit if the Games were woo would be the vast stadium, whicb would be converted later into 30,000 sq metres of additional and subdivisible space. It would meet the requirements of tha hig European trade fairs and put the NEC in e larger league.

There is underlying confidence among NEC executives that the steady growth in business will continne, allowing demand-led expansion funded, as in the past, through Birmingham City Council.

In London, Earls Court and Olympia, the P & O subsidiary which operates the two venues, has also invested substantially and has hought a seven-acre site at Earls Court to provide space for a new hall and extended lorry parking.

Mr Tim Harries, company chairman and managing director, says that the two ceotres bave now fully recovered the volume of business lost when the NEC was opened and claims that they are competitive with the NEC in volume terms—except every fourth year when the NEC has a spate of major shows.

In other parts of London there has been substantial investment. Alexandra Palace, now being refurbished in keeping with its original style, will reopen in late 1987, offering balls of 7,000 sq metres and 3,000 sq metres and e large nnmber of smaller rooms.

At the half-way point, £14m bas been committed or spend and building work is ahead of schedule. A total of 265 days of 1988 have already beeo booked for events, according to management.

Payment for the work is available mainly through the £18.2m paid out in insurance after the 1980 firo and the sum of £43m provided by the Greater London Council.

The Barhican Centre, nor nearly four years old, recently reported record audience levels business use and income of £8m in the 1984-85 financial year. But its operating costs were £10.9m for the year and the deficit was met by the owners, the Corporation of London.

The trend is nonetheless encouraging and income from cooferences and trade exhibitions have improved significantly, management says, with 28 exhibitions and 349 conferences held during the year.

Outside London there have beeo some remarkable developments, providing high-quality venues for both conferences and exhibitions. The investment has often been led by local authorities and has generally been justified quite quickly in the total local spending thus generated.

Harrogate, North Yorkshire, offers one of the best conference centres of its kind in Europe, seating 2,000 people, and six exhibition halls totalling 12,000 sq metres. Lika many other regional ceotres, it scores strongly on local atmosphere and is geographically well placed.

Nottingham has seen the development of the Royal Centre, seating 2,500 people in a convention hall where a 35-tonne canopy can be raised, lowered or tilted to suit conditions and events.

#### Ambitious

One of the most ambitious new ventures is the Scottish Exhibition and Conference Centre on the banks of the Clyde in Glasgow where there are five interlinked exhibition halls gronped round a glass-covered concourse in a 64-acra site.

Formally opened by the Queen in November, the £36m centre is in an area formerly used as a dock and close to the beart of Glasgow. One third of the finance was provided by tha district council, a third by the Scottish Development Agency, and a third by the private sector, mainly Scottish banks.

The halls provide 19,000 sq metres of space ranging from 775 sq metres to 10,065 sq metres, and there is a 2,000-seat conference hall. The venture is regarded as a major part of Glasgow's initiative to create new jobs through innovation and has so far proved an important asset.

On the south coast, Brighton and Bournemouth have long been associated with conferences and exhibitions and have continually improved their facilities. At the Brighton Centre the main hall can accommodate 5,000 people or provide nearly 2,000 sq metres of exhibition space.

At Bournemouth the main hall seats np to 4,000 in comfort and easily converts into exhibition, sports or entertainment space. A smaller hall seats 1,200.

Finally, St David's Hall, Cardiff, has made a significant impact in the city, providing an important focal point for conferences and commercial events. It is also a cause of national pride in the Welsh capital.

Overall, the diversity of available regional centres provides organisers with wide choice and at e time whan conference delegates expect more and more in terms of after-hours relaxation this is an important advantage.

# Intense rivalries among skilled operators

## The organisers

WALTER ELLIS

RIVALRIES between different conference and exhibition centres are beginning to reach an intensity which resembles those between competing railway companies in Victorian times. The cities and towns which are touting for trade are seeking to outshout one another in their self-promotion as ideal centres for a convention or trade show.

The National Exhibition Centre or Earl's Court? Harrogate or Brighton? The Wembley Conference Centre or the Metropole Hotel? These are but a few of the many choices confronting customers of the "meetings industry."

The fact is that talking about things and deciding what to buy has become one of today's boom industries. And, perhaps characteristically, Britain is better known for conferences than shows. Just as the City of London, which manufactures nothing, is out-performing British industry, so the organisation of talk rather than exhibitions of plant and machinery has become a latter-day UK speciality.

The organisers are highly professional and skilful operators. From offices throughout the UK, they match supply and demand in a manner requiring not merely the ability to plan a disparate range of events over a wide geographical area, but a talent for discerning actual facilities in a sea of promotional hype.

Those coming new to the maze are advised to visit the industry's own shows: Excite (the Exhibition, Conference and Incentive Travel Event), staged by International Trade Publications; and Confex, put on by PEL Communications. Excite was held in London in December, when, at considerable expense, potential clients were flown in from around the world to be persuaded of the competing merits of international locations and facilities.

Confex, describing itself as "Europe's major exhibition of venues and services for people who organise meetings, conferences, incentive trips, product launches, special events and exhibitions," goes on in the Barbican Centre, also in London, in February.

The rivalry that permeates the industry is evident from the fact that there are two such shows, with one following hard on the heels of the other. A recent attempt by ITP and PEL to organise a joint show came to grief when PEL pulled out at the last minute, claiming that a working agreement had not been reached — something which ITP actively denies.

The result is that Excite and Confex will virtually overlap in 1987, doing neither party much good and denying potential visitors a unified presentation of the facts.

Cahners Exhibition (CEL), the UK division of Cahners Expositions Group, the world's largest exhibition and trade show operators, currently organises 18 important British trade shows, including the prestige Which Computer? Show, staged at the NEC in January.

### Fast reactions

In a recent paper, Cahners sets out the range of activities in which a major organiser is engaged and points out that anticipating market trends is important. Fast reactions to change can be vital if business is not to be lost.

Large exhibitions, including such set-pieces as the Ideal Home Exhibition and the Motor Show, continue to have a place in the evolving market. But, Cahners points out, there is increasingly a place for smaller, more specialised events.

An example of combining large with small is provided by the treatment being accorded this year by Cahners to its long-established Internepcon Show, an exhibition of electronic production equipment held annually in Brighton. For 1986, the show will be split into two: one for packaging equipment and the other for heavier electronic production equipment.

Research had shown that the industry had itself split into two main interest areas, and the new arrangement reduces the waiting time for visitors who want to see only the equipment relevant to their own sector.

Specialist exhibitions are, in fact, a trend worldwide, even though exhibition centres generally are becoming larger and ever more lavish. In Britain, however, the trend is particularly pronounced.

Mr John Cole, marketing manager of the NEC, finds no incompatibility here. The opportunity, he says, now exists for organisers of exhibitions to get together and build up a series of related shows under one roof, with individual halls housing each separate fair but with a theme running throughout.

An example is the NEC's Metals '86, which unites a series of mini-shows. Thus, small and large can co-exist.

British exhibitions, unlike many on the Continent, tend not to be organised by the owners of the venues, and only a few, like the Motor Show or the Toy Fair, are the result of trade association initiatives. Entrepreneurs are more obviously to the fore in the UK, guided by the professional agencies, a result of the personal and fragmented nature of much of British industry.

At the NEC, however, there are some signs of a change. The NEC Exhibitions and Events Division acts as risk-taker and promoter of shows when it becomes clear that no outside force is likely to emerge.

Recently, the new division approached the automotive components industry and helped establish Autotech. The show was a success and is to be repeated in Birmingham every two years.

Mr Cole believes that hall owners can organise "attractive and cost-effective" shows. "We know the NEC best," he says.

A number of the main organisers of UK exhibitions are large, like International Trade Fairs and Andry Montgomery. Others are smaller and dedicated to a particular sector. One of the most successful smaller organisers of recent years has been B.E.D. Exhibitions, specialising in business equipment fairs, which was voted 1985 Exhibition Organiser of the Year by readers of the sector's leading trade magazine, Conferences and Exhibitions International.

Mr Alan Gash, B.E.D's managing director, originally staged his shows in London but transferred to the NEC in 1975. He has since moved back. Most of his shows are concerned with business equipment and printing and his customers, he says, prefer a London location.

However, Olympia and Earl's Court — owned by Sterling Guarantee Trust — are expensive and difficult to book, and, like many others in the business, Mr Gash would welcome a third major London venue.

Conference organisation is a different art, though sharing several features. Those, literally millions, of men and women who attend conferences each year basically want four things from a successful meeting:

- Information on the subject under discussion;
- Facilities that make the dissemination of that information efficient and relaxed;
- A comfortable bed and good meals;
- Trouble-free communications, including transport.

In the UK, the number of hotels offering conference facilities is large and growing. London is the obvious centre, but there are important locations elsewhere: for example, the Gleneagles Hotel, in Scotland; the Metropole, Birmingham; and Leeds Castle, in Kent.

### Brisk trade

But parallel to this development has been the rapid growth of purpose-built conference centres, large and small, dedicated to the "meetings industry." Wembley Conference Centre is one of the best-known, but centres in Brighton, Manchester and elsewhere are doing brisk trade.

The magisterial Queen Elizabeth II Conference Centre, opposite Westminster Abbey, become the best-known of all when it opens in June.

As the official government facility for such prestige events as the World Economic Summit and beads of government meetings of the European Community, its profile will be high, and organisers are expected to queue to use its luxury suites and high-technology facilities for commercial clients.

To link hotel accommodation to a conference in a separate centre can be a source of anxiety. Even the NEC admits to this problem. Organisers complain that booking a hall, with translators, video equipment and cordon bleu cuisine is often easier than finding a bed for the night for those attending.

London, with its thousands of hotels, obviously scores here—though the summer months can pose a real dilemma — but the all-in package of conference and beds offered by specialist hotels remains unbeatable to many.

Britain's problem is that its image has slipped in recent years. Paris overtook London in the early 1980s as the world's most popular convention centre, helped by the success of the Pompidou Centre.

In the UK not enough effort has been made, particularly in the provision of sufficient beds at an affordable price, and if the country's long-established pre-eminence is to be regained, new commitment is required.

Organisers in the UK are capable and certainly numerous. They wish to ensure that as the industry grows, it realises its full, and considerable, potential.

The NEC at Birmingham: following the opportunities to bold mini-shows under one roof.

# Switch for business show

A SIGNIFICANT change in strategy for UK exhibitions for the business equipment industry has just been announced in London.

The International Business Show (IBS), which in its heyday packed the largest halls at the National Exhibition Centre, near Birmingham, will now be absorbed into a new-look and enlarged London Business Equipment Show at Earls' Court.

Although 26,000 visitors attended last October's IBS, "it has become clear that many exhibitors prefer the show to be staged in London," say the joint organisers, B.E.D. Exhibitions and BETA Exhibitions.

The new strategy will embrace two biennial shows which together will provide an annual London event for the business equipment industry. In the intervening years between the big Earls' Court shows, the organisers will launch an entirely new show in 1987, entitled "Office."

Office '87 will be held at Olympia in early June, enabling suppliers to make a UK-launch of new products introduced at the massive Hanover Fair in March.

Mr Alan Gash, managing director of B.E.D., the company voted Exhibition Organiser of the Year by readers of the industry magazine, Conferences and Exhibitions International, says that organisers "thought long and hard about changing the name of LBES, fully aware that the use of the word "international," as in International Business Show, raised eyebrows, if not open doubts, in some minds.

"The international element in a multi-national industry is not always clearly identifiable or substantive. In the event, we decided that the inclusion of the name 'London' in the title of LBES identifies the exhibition with the nation's capital city and gives the show all the stature it needs."

MIKE WILTSHIRE

# More local support needed

## UK markets

LORNE BARLING

ALTHOUGH estimates of the growth of the British exhibitions and conference industry vary considerably, it is widely accepted that recession has had little impact on their success, and the prospects for the next few years are generally regarded as good.

There are clearly marked differences in the performance of various sectors and in geographical locations, but the level of investment in the UK appears to be rising fast, with the result that competition could increase.

At the same time, the industry is increasingly aware of the importance of attracting new foreign business, and is being assisted in this by a number of Government-backed organisations such as the British Tourist Authority and British Overseas Trade Board.

It is recognised that Britain has a number of inherent advantages in attracting international conferences — most notably use of English and the many attractive tourist spots which can be visited in free time—but it is also evident that the level of support provided for organisers and venues is considerably less than in Continental countries and North America.

Exhibitions within the UK suffer from similar lack of underlying support from local organisations, and although this is now thought to be improving, it remains a long way from the kind of enthusiasm, with flags and welcome parties, which is displayed in countries such as West Germany.

Mr Sandy Angus of exhibition organisers Andry Montgomery is the current chairman of the Association of Exhibition Organisers, and believes that considerable effort must now be made to ensure that the UK is competitive with other countries.

"The biggest worry is our ability to contain our costs because other countries have quite different means of financing their exhibition centres. One German exhibition charges about half its UK equivalent, which causes concern," he says.

Continental exhibitions are heavily subsidised by a variety of different groups, including state and local government, often with the close co-operation of the hotel industry and other involved organisations, Mr Angus points out.

German companies spent about 25 per cent of their promotional budgets on exhibitions, while the UK figure was only 9 per cent.

Mr Angus says that the $600m New York exhibition centre now being built has a wide range of local financial support, based on a recognition that the spin-off benefits of exhibitions are enormous. "It is reckoned that for £1 spent by an exhibitor at an event, £9 is spent locally by visitors."

However, he is not convinced that the construction of a major new exhibition centre in the London area would be beneficial. It would, he believes, create a dangerous split between London and the National Exhibition Centre which, he suggests, is one of the world's best exhibition venues.

A recent report by Dr Fred Lawson, senior lecturer in tourism planning at the University of Surrey, has said that if London is to compete with Europe for international business, it must have a new exhibition centre, since existing plans for an additional 111,300 sq ft by 1995 will not be enough.

The survey found that in 1983 West Germany attracted five times more than the 2.43m foreign visitors who came to British shows, with over eight times as many foreign exhibitors. French exhibitions had four times as many foreign participants.

Although there were more exhibitions held in the UK, they were mainly very small by comparison with Continental ones, and had much less international impact.

Nevertheless, there was increasing demand for exhibition space in Britain and by 1990 demand for space was expected to rise 50 per cent above the levels of demand experienced in the early 1980s. Even with current construction projects completed, the rise in demand would create space shortages.

Dr Lawson's survey concluded that three-quarters of all exhibitors, organisers and contractors foresaw the need for a totally new exhibition centre in London, and many expressed concern about the present situation.

The report estimated that such a centre in London would ultimately bring in £224m a year, but added that proper co-ordination between the transport and planning authorities, hotels and all other sectors of the tourism and leisure industries would be essential.

"This includes a greater emphasis on the marketing of British exhibitions within the UK and abroad, and collective efforts to ensure a broader awareness of the benefits from exhibitions," Dr Lawson said.

There also needed to be some re-thinking of the way in which exhibitions were organised, and the space sold. The present system of selling space by the day was not satisfactory, and had become "a deterrent for many exhibitors," particularly in view of the semi-monopoly situation in London, where the two major centres were owned by the same private company.

The European system of selling "space used" produces more economic hire rates, he suggested, and should become the yardstick for a London site.

Another problem in London, according to Mr Angus, is the lack of modern exhibition space, and this tends to raise costs, since more time and effort is required to mount exhibitions if the venues lack modern amenities.

Substantial sums of capital have recently been invested in the London venues; £21m at Earls Court and Olympia, £37m at Alexandra Palace, and £10m on the Business Design Centre at Islington. But compared with Paris and other European centres, this is regarded as limited.

Local authorities, he says, are becoming aware of the potential of promoting new venues, in the creation of jobs and wealth locally. He believes that a UK equivalent of the US hotel room tax could be an efficient way of raising development funds, and points out that Glasgow's council played a major part in the development of the city's new exhibition centre.

# Strong competition from developing countries

## Conference promotion

LORNE BARLING

BRITAIN IS one of the world's leading destinations for international association and company meetings, with more than 200,000 overseas conference delegates visiting the country annually.

It is estimated that this generates a total of about £100m a year in revenue, spread among hotels, restaurants, transport companies and theatres, as well as the conference centres themselves.

While it is recognised that Britain has certain in-built advantages for attracting conferences, major competitors remain West Germany and France, the latter offering particularly strong competition in terms of extra-conference activities.

There is no doubt in the minds of conference organisers that what happens outside the conference halls is as important as what goes on in them, and decisions about locations are made on that basis.

This is one of the reasons why there has been such success in the sunny and reasonably accessible developing countries, where the out-of-conference attractions are good and heavy investment has often been made to provide venues of a high standard.

The British industry, increasingly aware of this competition, formed a broad-based promotional organisation in 1977 called the British Conference and Exhibition Centres E.:port Council, to represent many of the country's leading centres for these activities.

*Like other countries,* organisations with a vested interest in this lucrative trade, such as British Airways, the British Tourist Authority and the British Overseas Trade Board, have become involved.

In the business of attracting exhibitions, the stakes are very high and on occasions the level of competition gets rough. It is estimated that the 1983 ITMA exhibition held in Frankfurt generated £135m in spin-off spending for the city.

According to Mr John Cole, marketing manager for the National Exhibition Centre and this year's chairman of the council, it is all a matter of "improving one's bid technique," and this is increasingly difficult in the UK without the *kind of financial aid provided* to venues in other countries.

Nevertheless, the British industry works very closely now and the increase in the number of good conference centres here, with the Queen Elizabeth II centre in London, and a host of good-quality regional centres emerging, the outlook is good.

According to Mr Cole, there is an increasing need for flexible conference venues, where there is the space for large plenary sessions, but also "break-out" facilities, where the conference can split into smaller sections.

There is also demand, on occasions, for both conference and exhibition facilities on one site, although this tends to be specialised. Some organisers *see this as counter-productive,* since there is a division of attractions.

Britain has been quite successful in the international competition recently, having attracted 23,000 Rotarians to the NEC for their conference, which was the biggest of its kind ever held in the UK.

According to Mr Cole, price is often not a major factor in such conferences. What is required from the country is political stability (since they are often booked years ahead and instability can often rule out Third World venues), and guarantees relating to hotel accommodation and other services.

Mr Cole believes there are increasing opportunities to win major conferences from the US, where the tax incentives to continue holding them in their home country are gradually being whittled away.

The NEC, with its capacity to handle 12,000 comfortably (the Rotary conference was required to hold two plenary sessions) is now one of the biggest venues in Europe, and should the Olympic Games go to Birmingham, substantial expansion will be provided.

The superdome stadium which would be built to house the main events at the NEC would later be fully covered and provide an indoor auditorium for some 40,000 people, about the same as can be accommodated at Olympia in London.

*This would not be particularly* suitable for conferences, although the NEC is looking long-term at the prospect of attracting the Lions conference out of the US, which is commonly attended by up to 40,000 people.

Conferences of this kind inevitably have brought together the activities of the British Tourist Authority and conference organisers, since a considerable element of tourism is involved in these functions.

"Business tourism" is now an accepted part of the spectrum of international travel, and is in fact a highly-valued part of it due to the high-spending power of people who go to conferences and other events around the world.

The council meets six-weekly, Mr Cole said, and carries out regular presentations in important foreign locations, such as Brussels, Strasbourg and Washington. It aims to launch at least two major initiatives a year.

### Demand

He believes that there is an increasing demand for the right venues for specialist conferences, and suggests that the UK's mainly private-sector conference centres have the flexibility to attract many of these.

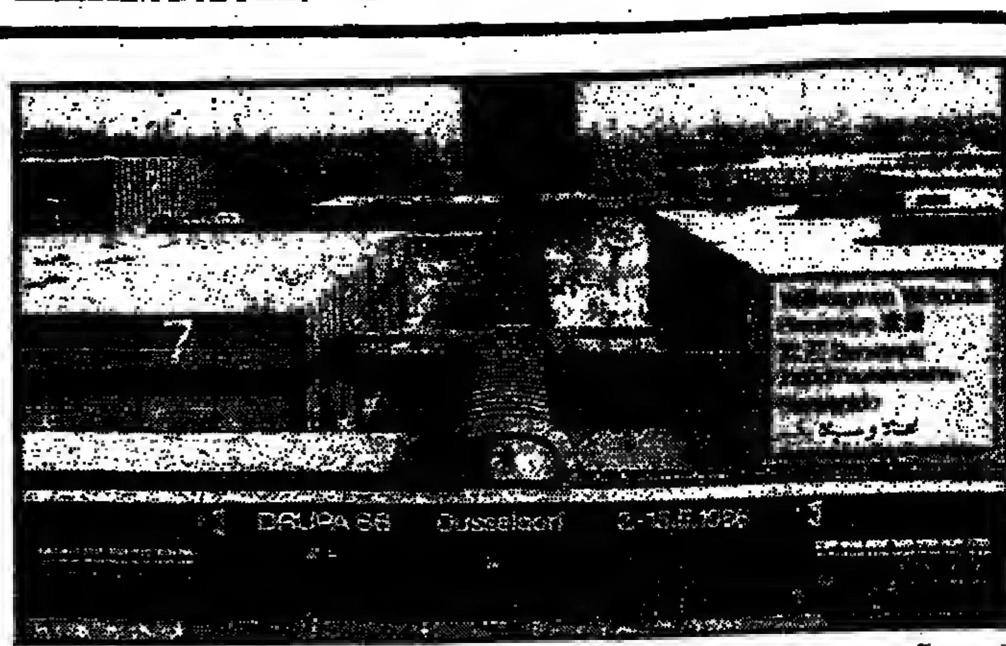
The council's promotional activities also cover the production and distribution of literature, the generation of overseas publicity and the hosting of inbound missions comprising representatives of leading international organisations.

In November last year a council display was mounted at the Houses of Parliament, at which Mr Tony Miles, last year's chairman, said that the council's main objective was to provide a united marketing front against the increasing competition of worldwide venues and to enhance the invisible earnings of the international visitor market.

However, the biggest boost for conferences in Britain is the planned construction of the £107m Birmingham Convention Centre, which many experts believe could have as big an impact as the National Exhibition Centre.

*It is expected* to give new impetus to the promotional activities carried out on behalf of British conference facilities abroad, since it will be as good or better than any other top-class venue internationally.

The Birmingham Convention and Visitor Bureau, formed three years ago, is well placed to assist in the promotion of the new centre, which is expected to generate more than £50m a year for the West Midlands.



The major continental facilities, including those at Dusseldorf above, are generally much more advanced than those in the UK

# Sites draw the rooms

## Hotels

LORNE BARLING

THE CONFERENCE and exhibition industry appears to be divided in its attitudes towards the hotels around the country which provide accommodation for millions of their visitors, but it is clear that a closer relationship is developing.

In London the exhibitions and conferences are served by a diverse range of hotels and restaurants and there is little sign of criticism, although the increasing cost of rooms has caused unease.

Mr Tim Harries, chairman and managing director of Earls Court and Olympia, said: "We have the great advantage that people like London as a city to visit and we are lucky enough to have many good hotels.

"*It is also important* that visitors have good restaurants and shopping nearby," he said. There seemed to be far less need for close links between London hotels and exhibitions than in other areas, he added.

Similarly, most exhibition and conference centres around Britain are well served by hotels, particularly in major resorts such as Brighton and Bournemouth.

The more difficult problems generally arise where a greenfield site is chosen for a new exhibition centre, such as the NEC, where few of the large investors were prepared to risk their money on what they regarded as a speculative venture. The Birmingham Metropole was eventually built near the NEC and has operated successfuly ever since.

The hotel was recently upgraded after investment in new furnishings and an additional conference and banqueting facility, the King's Suite (seating up to 1,000 extra delegates), is due to open in the summer of next year. Bids are also being invited for a second hotel on the NEC site, as part of its expansion plans.

Also in the Midlands, Hyatt International is to operate a 350-bedroom hotel intended to form an integral part of the £107m Birmingham International Convention Centre.

It is hoped that work on the £30m hotel property will start later this year, with planned completion early in *1988,* although progress may depend on Hyatt's application for an urban development grant.

*The 30-storey hotel* will be triangular in plan and clad in reflective silvered glass, with access to all floors by external glass lifts. A spectacular lobby, with fountains, waterfalls and trees, and opening on to two restaurants, a bar and a shopping arcade, will form the focus of activity.

Other facilities will include a night club, a casino and a health club with a swimming pool, gymnasium and squash courts. There will also be a ballroom and supplementary meeting rooms, a two floor Regency Club, a Hyatt business centre and a presidential suite with its own pool.

It is clear that for a convention centre of the ambitious scale and cost of that planned for Birmingham the hotel has to be of equal stature in terms of size and quality. For that reason, only a large group such as Hyatt could have been chosen to meet the demanding requirements in terms of commitment and capital.

A similar approach is being taken in Glasgow, where the management of the Scottish Exhibition and Conference Centre was faced with objections from local hoteliers to the buiding of a new hotel designed to be integrated with conference and "break-out" facilities.

The SECC said its management answered the objections by explaining to Glasgow hoteliers that any grants or soft loans attached to the overall project were needed to provide the conference and small-meeting facilities. Negotiations are now going ahead with four hotel groups.

It is estimated that the number of full and part-time jobs created directly by the UK exhibition industry now totals about 16,000, but that does not include any estimates of the number of hotel staff employed.

*If the exhibition industry* were able to define more precisely its benefit to the hotel sector it would provide more ammunition for those within the industry who are critical of hotels.

They argue that hoteliers take the spin-off benefits of the exhibition industry for granted while doing little to assist organisers in promoting their exhibitions. In the West Midlands the formation of the Birmingham Convention and Visitors' Bureau, which provides a forum for all business people involved in events, has helped to improve co-operation.

While there is little criticism of the situation in London it is clear that some of the regional conference and exhibition *centres would benefit* from a closer liaison with hotels. They too would benefit from greater predictability of numbers of guests.

For major conferences the hoteliers and organisers have little option but to work together, since those choosing venues will seldom commit themselves to a deal unless there is guaranteed hotel accommodation for all delegates. Sometimes these arrangements are made up to four years in advance.

Similarly, smaller provincial hotels which hope to serve increasing numbers of people visiting local conference centres must expect more demanding guests, particularly when they are from overseas and are accustomed to the international conference circuit.

Local authorities can play a leading part in helping to forge necessary links of this kind and must be willing to do so to protect and further their interests in the conference centres themselves.

# Dawn of video meets

EXHIBITIONS and conferences exist today in an increasingly competitive world, and contractors to the industry have to keep up with rapid changes in both techniques and technology.

Conferences which formerly centred on a room with lectern and blackboard now have to cope with the communications revolution. Image projectors have replaced slides, and video presentations are a commonplace, *employing humour* in the shape of John Cleese and cherubic sincerity in the familiar guise of Cliff Michelmore.

More than this, we are in fact in the dawn of video conferencing itself, when high-level business decisions can be made by groups of executives seated in offices thousands of miles apart. The telephone used to be the *only,* and *imperfect,* means of achieving this; now faces can accompany the voices, and film of new plant and machinery can be beamed across the Atlantic via landlines and satellite while facsimile transmitters issue instant duplicates of vital documentation.

In the long run, video conferencing could pose a threat to seminars and other small *specialist* gatherings, leaving only larger conventions in need of live participation. For the moment, existing technology, in the form of closed-circuit television, infra-red, cordless earphones and improved simultaneous translation, has already forced conference contractors into new areas of specialism.

Spectrum Communications, publishers of the famous Blue and Green conference guides, are among the leaders in this field. Others include "Imagination" and a new Saatchi and Saatchi creation, ICM.

Mr Paul Swan, Spectrum's managing director, believes that the biggest change in the last 10 years has been in the area of computer graphics. Sound and lighting have merely evolved, he says, but computers have produced changes in the way in which he and his colleagues think.

Two years ago, Spectrum bought a small Apple system; four months later came IBMs; now they have four full-scale "design stations," each occupied in producing and updating corporate statistics and forecasts giving them visual expression.

"There has been an incredible shortening of lead times in the last few years," says Mr Swan — "especially in the corporate sector. A product launch that would once have been preceded by three to six months warning can now land on us with only five weeks' notice. We *have to be able to respond."*

Video is also forging ahead. Big-screen projection is becoming a reality, and the computerised animation of charts and graphs, created instantly from data produced by conference participants, can be shown at once to the entire gathering. "We are all going like mad in this area," Mr Swan claims.

## Equipment suppliers

WALTER ELLIS

Exhibition contractors, though busy, move at a less frenetic pace. The British Exhibition Contractors Association (BECA) has 210 companies on its books, representing some 85 per cent of the supply sector. Nearly 5,000 workers are employed, split between electricians belonging to the EEPTU and stand builders who are for the most part members of the craft-based UCATT.

Mr Arthur Francis, president of BECA and chairman of United Exhibition Services, is generally optimistic about the sector's prospects but admits that exhibitors have been spending less on stands and related equipment over the last few years. His optimism is founded on the fact that there are more exhibitions than ever before in the UK, with a greater number of venues and shows compensating for the reduced spend on individual stands.

The main revolution affecting exhibition contractors has been the growth of the modular system of stand construction, first brought in in the mid-1970s. Stands used all to be tailored to the specifications and personalities of the companies renting them.

Today, it is mainly the larger, prestige companies which continue to insist that their stands be individually designed. Motor manufacturers are a case in point, sparing no expense in the presentation of their wares. Most businessmen are happy to rent their space by the square metre, lending personality from the inside out.

Organisers of exhibitions will now very often provide shell-scheme accommodation, comprising stands of various sizes built of aluminium with infill panelling or sheeting. Time is increasingly important in the industry, especially when one show follows almost *directly on another.*

Important stand-fitters include United Exhibition Services, Barrett Bros, Jeck and Pollitzer, Newton Displays, Joe Manby, Arti Deals and United Exhibition Services. Major suppliers on the electrical side are led by Lightpower Exhibitions McCarthy Bailey, Princedale, J. H. Plant, Earl's Court Electrical Fittings and Johnson Smith. Giltspur, IES and HSS handle 99 per cent of business in the furniture and floor-coverings division.

One smouldering problem in this otherwise peaceful scene is the uneasy relationship between employers and unions on the issue of weekend working. The time factor already referred to has meant that Sunday working in particular has become an industry norm, and although the EEPTU has proved flexible in this context, UCAT is demanding increased payments and further time off in lieu.

Some organisers have expressed fears that the dispute might flare up, leading to a national overtime ban. The union believes the problem can be resolved once there is a change in existing practices.

The issue is not going to go away but in the meantime work carries on as normal. "There is peace in this business," says Mr Andrew Verdeille, UCAT's negotiator. "Long may it continue."

# INTERNATIONAL APPOINTMENTS

## Managing director for the Ferruzzi holding company

BY ALAN FRIEDMAN IN MILAN

MR MARIO GABBRIELLI, the former finance director of Italy's ENI state energy group, has been appointed managing director of Agricola Finanziaria, the holding company of Italy's Ferruzzi agribusiness conglomerate.

The appointment of Mr Gabbrielli, which takes effect immediately, comes just as the Italian group—which has $6.5bn of annual turnover—is hoping to conclude an agreed takeover of British Sugar, the subsidiary of S & W Berisford of the UK.

Mr Gabbrielli, who has wide international experience and special knowledge of capital markets, is 48 years old and served as group finance director of ENI until December, when he left his post to become chairman of Enichem Fibre, an ENI subsidiary. His departure came as a result of the incident last July when he ordered the purchase of $125m for ENI, which sent the lira nearly 20 per cent down against the US currency in a single day.

In Ravenna, where Ferruzzi is based, an executive says that Mr Gabbrielli's appointment is regarded as important in the light of the group's expanding international activities. Ferruzzi recently increased its stake in Beghin-Say, the French sugar and paper products group, to 49.6 per cent giving it effective control. Ferruzzi, which is chaired by Mr Raul Gardini, controls via Beghin-Say and its Eridania subsidiary in Italy, the biggest sugar conglomerate in Europe with 18 per cent of the market.

If the takeover of British Sugar is successful, Ferruzzi will have 22.5 per cent of the European sugar market. The plan calls for Ferruzzi to take over the whole of S & W Berisford, th chairman of which would then launch a leveraged management buy-ont of the group mious British Sugar.

In the end, Ferruzzi would pay around £200m ($300m) net for British Sugar, and would also assume £200m of debt, bringing its total investment to around £400m.

Ferruzzi is Italy's third largest private sector group io turnover terms after Fiat end Montedison. It employs 10,000 and owns more than 2.5m ecres nf agricultural land in Europe, the US and Latin America.

## Daimler-Benz head takes top AEG role

By John Davies in Frankfurt

PROFESSOR Werner Breitschwedt, chief execntive of Daimler-Benz, the West German motor vehicle concern, is stepping in personally to head the supervisory board of AEG, the electrical company.

This follows the Cartel Office's recent decision to approve Daimler-Benz's taking a majority stake in AEG as part of its expansion in high technology. Daimler initially took a 24.9 per cent stake in AEG last year and is extending this to a 56 per cent holding.

Prof Werner Breitschwerdt: stepping in personally

Professor Breitschwerdt is to replace Mr Jochen Holzer as a supervisory board member. In addition, he will take over as chairman, a role so far carried out by Mr Klaus Kuhn.

Mr Kuhn, former finance chief of the Thyssen steel concern, has played an important behind-the-scenes part during AEG's recovery from near-collapse a few years ago. He is to carry nn as a supervisory board member and adviser.

The moves are to be ratified on April 30 at the next meeting of the AEG supervisory board, which represents shareholders and workers, and which broadly supervises the management headed by Mr Heinz Duerr (in line with the two-tier board structure of West German companies).

## New chief at Black and Decker

By Our Financial Staff

MR NOLAN D. ARCHIBALD the 42-year-old president of Black and Decker, the Maryland-based power tool manufacturer, is to become chief executive on March 20, in place of Mr Laurence J. Farley, 49, who will remain chairman.

The change comes as the company has reorganised itself by way of capacity cuts in many of its operations. These cuts led it to take a $215m pre-tax charge in the year to September, when it made a net loss of $158.4m.

The company says: "With our strategic direction set and our balance sheet in order, the most important job ahead is operating execution."

Mr Farley, who has been with Black and Decker since 1978, and chief executive for three years, has a financial background, and is credited with having established the company's long-term strategy and its global approach to business.

Mr Archibald, who joined Black and Decker only in September, was formerly president of the consumer durables division of Beatrice Companies, the US food and consumer products concern.

## Cardo board quits

CARDO, the southern Sweden sugar, seeds and biotechnology company, has announced that its board of directors and its president, Mr Per Lindblad, will resign their posts following the successful bid for it by Volvo, reports AP-DJ from Stockholm.

The board is to step down after presentation of the group's 1985 results on March 11. Mr Lindblad has said that he also wishes to resign, but is willing to stay on until a new president is appointed.

Cardo is calling an extra shareholders' meeting on March 17 to provide an opportunity for the appointment of a new board.

Volvo, Sweden's largest industrial group, said on February 19 that it had nbtained more than 90 per cent of Cardo's shares and would require remaining shareholders to tender their stock. It had in the bid to overcome opposition from the Cardo board and from smaller shareholders in Skane, where Cardo is located.

Volvo plans to assimilate Cardo's food and biotechnology operations into its Provendor food division.

## Allied-Signal Henley post

ALLIED-SIGNAL, the diversified New Jersey group with interests from aerospace to the motor industry, industry and technology and energy, has appointed Mr Paul M Montrone president of the Henley Group, an investment side which it is selling largely to its shareholders.

Mr Montrone, 44, has been executive vice president, finance and administration at Allied-Signal.

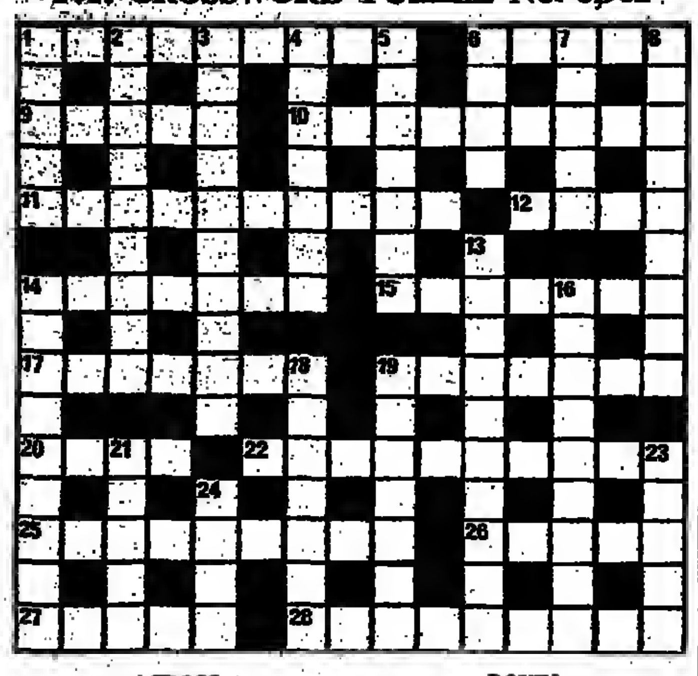
Allied was formed last year by the merger of Allied Corporation of the East Coast of the US with Signal Companies of the West Coast. At the same time as announcing Mr Montrone's appointment it has announced an increase in the assets involved in the Henley Group to S4bn, from the earlier set $3.2bn, involving annual sales raised to $3.2bn from $3bn; with the increase in the number of businesses involved to 35, from 30.

Details arise from a filing with the Securities and Exchange Commission, in which it is said that agreements with Henley limit Allied Signal's rights to sell Henley stock to the public at large, and offer Henley prior rights of purchase.

The businesses that make up Henley had a net loss of some $26m in 1985.



## F.T. CROSSWORD PUZZLE No. 5,962



ACROSS

1 Medicated preparation reduced by 10 per cent (9)
6 Book for a picture show (5)
9 Animal arrived, then left (5)
10 Cut across to Bury School (9)
11 A mule may be, not a slipper (4-6)
12 Where needles are kept, just in case (4)
14 Possibly flies in groups (7)
15 A highly vocal female (7)
17 Settle the charge for air freight (3-4)
19 Money that's not well-earned (4-3)
20 One's case may rest on it (4)
22 It's not all bias (10)
25 Ne notes? Call at the station (3, 6)
26 Some winners congratulate rivals afterwards (5)
27 Fitting and for a piece of wood (5)
28 Friends hold new ideas for defence (9)

DOWN

1 Cuts off import and export facilities (5)
2 Unwilling to go into print (6-3)
3 Truth stands between man or criminal (10)
4 They work their hours to suit their customers (7)
5 Turns red, this shows uncertainty (7)
6 Bill about a land measure (4)
7 A sheepish expression? (5)
8 I'm not involved with Mary in this joint venture (9)
13 Sights for sore eyes? (10)
14 It's vital to bring in a good worker (9)
16 Furnished with a new job? (9)
18 All waiting—to be signed? (5, 2)
19 Poet to serve as a good model? (7)
21 Dot's double (5)
23 Measures some of the rigging (5)
24 A command to avoid (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday

APPOINTMENTS

## Top changes at Pension Fund Association

Mr John McLachlan (Reed International) has replaced Mr Geoffrey Musson as chairman of the investment committee of the NATIONAL ASSOCIATION OF PENSION FUNDS for a term of two years. Mr Donald Brydon (Barclays Investment Management) has been appointed vice chairman of the committee.

★

Mr Ted Gush has been appointed director of marketing by AUKETT DESIGN.

★

The Virgin Group has announced the appointment of Mr Ron Simms as managing director and Mr Paul Bryon as commercial director of VIRGIN HOLIDAYS.

★

Mr Gerald Demsey has joined the board of the WATERFORD GLASS Group.

★

BRITISH STEAM SPECIALTIES has appointed Mr R. D. Thompson a director.

★

Mr K. A. Carter has been appointed to the boards of LLOYD THOMPSON and its Lloyd Broker subsidiary, where he will be chief executive.

★

Mr Barry Theobald has been elected to the board of BRIDGEWATER PAPER SALES.

★

Mr John Coombes has been appointed marketing director of R. J. TEMPLE & COMPANY (Taxation and Investment Consultants).

★

Mr F. R. H. Friend and Mr R. Grimster have been appointed to the board of CLARKSON PUCKLE UK, part of the Dalgety Group.

★

Mr Alan Hutt has been named director of legal services, HONEYWELL. Mr Hutt joined Honeywell in 1972 as a legal adviser.

★

Mr A. R. Robertson retired as a director of RICHARDS, Aberdeen. He is succeeded as chairman by Mr Brian G. Gilbert.

★

Mr R. J. (Tom) Walls has been appointed director of public sector services at PRICE WATERHOUSE. He was director of the Price Waterhouse office of local government services in Birmingham.

★

LYNDOE (HOLDINGS) has formed a new division, Saxon Technology Group, which will distribute word processors and microcomputers. Appointed to Saxon are Mr Mikal Lyndoe as managing director, Miss Betty Taylor as marketing director, Miss Bertha Hauge as export director, and Mrs Jeanette Lyndoe as company secretary.

★

AYRSHIRE METAL PRODUCTS, Irvine, has appointed two directors to the board. Mr Hugh Dunlop Lobban, general manager at the Irvine plant, and Mr Jonathan Charles Stuart Fell, general manager at the St Helens plant.

★

Mr Andre Cohen has been appointed executive director of London-based CITICORP INVESTMENT BANK to oversee Eurodollar-related activities for the Australasian region. He will be based in the UK. Mr Cohen leaves his present Sydney-based post as executive director, securities and corporate finance, with the Citicorp capital markets group.

★

Mr C. R. Clayton Fryers, chairman of HUNSLET (HOLDINGS) since 1976, has relinquished the post. He has been appointed president and remains a non-executive director. Mr Peter J. G. Aleock has been appointed chairman, and has relinquished his post as group chief executive.

★

Mr Christopher L. Pratt has been appointed honorary treasurer of the BUILDING EMPLOYERS CONFEDERATION. He is a director of William Sindall, Cambridge.

★

Mr David T. Gardner and Mr R. S. Lothian have been appointed to the board of TULLETT & TOKYO SECURITIES.

★

OUTHWAITE & GREEN, managing agents of Lloyd's Syndicate 321, has appointed Mr J. H. Goodger as director responsible for agency administration in place of Mrs A. E. M. Sheimerdine who has resigned Mr W. E. Bloxham is appointed finance director.

★

Deputy chairman of DALE ELECTRIC INTERNATIONAL, Mr Joseph Palmer, has been appointed chairman following the death of founder Mr Leonard H. Dale.

★

PURA FOODS, a member of the Acatos & Hutcheson Group, has appointed Dr David Allen as head of research.

★

SALOMON BROTHERS INTERNATIONAL has appointed Mr Christopher Carter as head of the international equity capital markets, including syndication.

# FT UNIT TRUST INFORMATION SERVICE

## AUTHORISED UNIT TRUSTS

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CONTINUED OVERLEAF

# AUTHORISED UNIT TRUSTS & INSURANCES

**Oppenheimer Fund Mngt Ltd**
66 Cannon St, London EC4N 6AE — Dlg. 01-236 3885

| | | | | |
|---|---|---|---|---|
| International Growth | 121.7 | 130.2 | -0.8 | 0.90 |
| Income & Growth | 51.4 | 54.8 | +0.2 | 3.00 |
| Special Situations | 71.2 | 76.2 | -0.5 | 4.40 |
| American Growth | 32.2 | 34.5 | +0.7 | 0.70 |
| Japan Growth | 42.4 | 45.4 | | 0.00 |
| European Growth | 51.9 | 55.6 | -0.3 | 2.30 |
| UK Growth | 49.7 | 53.2 | | 0.00 |
| Pacific Growth | 36.4 | 39.0 | +1.0 | 0.10 |
| High Income | 29.9 | 32.0 | +0.1 | 8.40 |
| Practical Income Units | 47.6 | 50.6 | | 2.30 |
| Practical Accum. Units | 85.6 | 91.1 | +0.1 | 2.30 |

**Pearl Trust Managers Ltd (a)(g)**
252 High Holborn, WC1V 7EB — 01-405 8441

| | | | | |
|---|---|---|---|---|
| Pearl Growth Fd. | 81.4 | 86.6 | +0.1 | 2.63 |
| Accum Units | 120.3 | 128.0 | +0.1 | 2.63 |
| Pearl Inc. | 108.9 | 115.9 | - | 4.30 |
| Pearl Unit Tst. | 115.7 | 123.1 | -0.3 | 3.39 |
| (Accum Units) | 198.0 | 210.4 | -0.6 | 3.39 |
| Pearl Intl Equity | 111.1 | 118.2 | +1.0 | 1.69 |
| (Accum Units) | 111.1 | 118.2 | +1.0 | 1.69 |

**Perpetual Unit Trust Mngmt. (a)**
48 Hart Street, Henley on Thames — 0491 576868

| | | | | |
|---|---|---|---|---|
| International Growth | 242.3 | 260.0 | +3.8 | 1.30 |
| Income | 175.8 | 187.4 | -0.5 | 5.14 |
| Worldwide Recovery | 137.2 | 147.3 | +1.2 | 1.94 |
| American Growth | 66.5 | 77.4 | +0.6 | 1.02 |
| Intl. Emerging Cos. | 72.8 | 78.2 | +1.3 | 0.67 |
| Far East Growth Fd. | 58.7 | 63.0 | +0.4 | 1.70 |
| European Growth Fd. | 51.3 | 55.1 | +0.2 | 2.0 |

**Prolific Unit Trusts**
222 Bishopsgate, London EC2 — 01-247 7544/7

| | | | | |
|---|---|---|---|---|
| Prolific American Inc. | 53.9 | 57.3 | +0.9 | 4.67 |
| Prolific Far East | 128.4 | 138.1 | +1.0 | 0.30 |
| Prolific Extra Inc. | 77.0 | 81.7 | +0.4 | 5.07 |
| Prolific C'vert & Gilt | 89.0 | 94.4 | +1.7 | 6.30 |
| Prolific High Inc | 161.7 | 171.5 | -0.1 | 4.32 |
| Prolific Intl. | 99.5 | 105.9 | +1.4 | 1.28 |
| Prolific N. Amer | 134.5 | 144.6 | +3.0 | 2.07 |
| Prolific Spec. Sits | 181.0 | 191.9 | +0.1 | 1.19 |
| Prolific Technology | 114.1 | 121.4 | +1.4 | 0.49 |

**Providence Capital Fd. Mgrs. Ltd**
30 Uxbridge Road, London W12 8PG — 01-749 9111

| | | | | |
|---|---|---|---|---|
| Japan Inc. | 60.5 | 64.4 | -0.9 | 0.00 |
| Japan Acc. | 60.6 | 64.5 | -0.4 | 0.00 |
| Worldwide Inc. | 62.5 | 66.5 | +0.5 | 1.46 |
| Worldwide Acc. | 63.2 | 67.3 | +0.6 | 1.46 |
| European Tst Inc | 76.7 | 81.7 | +0.5 | 0.66 |

**Stewart Ivory Unit Trust Mgrs Ltd (a)**
45 Charlotte Sq, Edinburgh — 031-226 3271

| | | | | |
|---|---|---|---|---|
| American Fund | 209.0 | 223.4 | +6.3 | 2.27 |
| (Accum. Units) | 235.6 | 250.9 | +7.1 | 2.27 |
| (Withdrawal Units) | 151.9 | 161.7 | +4.5 | 2.27 |
| Australian Fund | 108.8 | 115.9 | -0.1 | 1.00 |
| (Accum. Units) | 110.0 | 117.2 | -0.1 | 1.00 |
| British Fund | 522.2 | 556.1 | -8.9 | 4.32 |
| (Accum. Units) | 702.3 | 747.9 | -4.1 | 4.32 |
| European Fund | 241.2 | 251.5 | -0.4 | 0.93 |
| (Accum. Units) | 254.0 | 270.9 | -0.5 | 0.93 |
| Japan Fund | 239.9 | 255.5 | +3.0 | 0.40 |
| (Accum Units) | 240.6 | 256.3 | +3.0 | 0.40 |
| Saints PPP | 146.6 | 154.4 | — | — |

**Sun Alliance Fund Management Ltd**
Sun Alliance House, Horsham — 0403 56293

| | | | | |
|---|---|---|---|---|
| Equity Tst. | 364.2 | 387.4 | -2.0 | 2.44 |
| North America | 54.4 | 57.8 | +1.4 | 1.63 |
| Far East | 59.8 | 63.8 | ... | 1.00 |

**Sun Life Trust Mgmt. Ltd**
107 Cheapside, London EC2V 6DU — 01-606 6010

| | | | | |
|---|---|---|---|---|
| American Growth Acc. | 28.8 | 30.7 | +0.9 | 1.6 |
| American Income Acc. | 28.5 | 30.4 | +1.0 | 4.1 |
| American Income Inc. | 28.2 | 30.0 | +1.0 | 4.2 |
| European Growth Acc. | 43.5 | 46.3 | +0.1 | 1.4 |
| Far East Growth Acc. | 31.8 | 33.8 | +0.7 | 0.7 |
| Intl. Growth Acc. | 29.6 | 31.5 | +0.6 | 0.8 |
| Japan Growth Acc. | 40.8 | 43.4 | +0.8 | 0.3 |
| UK Growth Acc. | 33.0 | 35.1 | -0.2 | 2.1 |
| UK Income Acc. | 29.1 | 30.9 | -0.2 | 4.0 |
| UK Income Inc. | 28.5 | 30.3 | -0.2 | 4.1 |
| Managed Growth Acc. | 34.2 | 36.4 | ... | 2.1 |
| Managed High Yield Inc. | 40.8 | 43.4 | -0.1 | 7.0 |
| Managed Income Inc. | 30.7 | 32.6 | ..... | 3.8 |

**Swiss Life Pen. Tst. Man. Co Ltd (a)(c)**
99-101 London Rd, Sevenoaks — 0732 450161

| | | | | |
|---|---|---|---|---|
| Equity Dist.* | 241.9 | 256.9 | - | 3.84 |
| Equity Acc.* | 291.0 | 307.9 | .. | 3.84 |
| Fixed Int. Dist.† | 117.3 | 121.5 | - | 11.13 |
| Fixed Int. Acc.† | 172.1 | 178.5 | | 11.13 |

*Prices on Feb 12. Next dealing Mar 12
†Prices on Feb 24. Next dealing March 3

**TSB Unit Trusts (b) (c) (y)**
PO Box 3, Keens House, Andover, Hants SP10 1PG
0264 62188 — Dealings to 0264 63432-3

| | | | | |
|---|---|---|---|---|
| TSB American | 109.6 | 116.7 | +2.6 | 0.95 |
| Do. Accum. | 114.2 | 121.5 | +2.7 | 0.95 |
| TSB Extra Income | 100.2 | 106.6 | -0.1 | 5.52 |
| Do. Accum. | 117.0 | 124.5 | -0.1 | 5.52 |
| TSB General | 147.9 | 157.4 | -1.0 | 2.80 |

**Allied Dunbar Assurance Plc**
Allied Dunbar Ctr, Swindon SN1 1EL — 0793 28291

**Continental Life Insurance PLC**
64/70 High St, Croydon CR0 9XN — 01-680 5225

| | | | | |
|---|---|---|---|---|
| Equity Acc. | 287.4 | 303.1 | +13.0 | — |
| Property Acc. | 268.5 | 282.7 | +6.1 | — |
| Int Acc. | 189.3 | 199.3 | -1.0 | — |
| Managed Acc. | 240.4 | 253.1 | +2.5 | — |
| Spec Sits Acc. | 210.1 | 221.2 | +5.8 | — |
| Investment Tst Acc | 116.6 | 122.8 | +1.9 | — |
| Pen Int Acc | 205.1 | 216.1 | +0.3 | — |
| Pen Prop Acc | 346.1 | 364.4 | +11.7 | — |
| Pens Equity Acc. | 433.2 | 456.0 | +19.1 | — |
| Pen Mngd Acc | 267.5 | 281.6 | +5.2 | — |
| Pens F & C Man Acc | 124.0 | 130.6 | +0.3 | — |
| Pens Inv 7rust Acc | 136.9 | 144.2 | +0.6 | — |

Prices for other funds available on 01-377 8682

**General Portfolio Life Ins. Plc**
Crossbrook St, Cheshunt, Herts — 0992 31971

| | | | | |
|---|---|---|---|---|
| Portfolio Fd Acc. | 373.5 | 373.5 | +1.8 | — |
| Portfolio Fd Inl. | 280.0 | 280.0 | +1.3 | — |
| Portfolio Fd. Inv. 4 | 373.4 | 393.2 | +1.9 | — |
| UK Equity | 174.9 | 184.2 | +0.9 | — |
| Overseas Equity | 129.2 | 136.1 | +1.0 | — |
| Smaller Companies | 107.7 | 113.5 | +0.4 | — |
| Gilt Plus | 113.0 | 119.1 | +0.6 | — |
| Gilt Plus 88 | 107.9 | 111.7 | | — |
| Fixed Int Dep. | 107.1 | 112.9 | | — |
| Managed | 147.6 | 155.5 | +0.8 | — |
| Inter Man. | 133.2 | 140.3 | +0.9 | — |

For other prices please telephone 0992 31471

**Gresham Unit Assurance Ltd**

**Kingswood House, Kingswood, Tadworth, Surrey KT20 6EU** — Burgh Heath 53456

**Manufacturers Life Insce Co (UK)—Contd**
Pension Fund Prices

| | | | |
|---|---|---|---|
| Managed Init. | 232.5 | | — |
| Do. Accum. | 270.6 | | — |
| Property Init. | 210.2 | | — |
| Do. Accum. | 244.6 | | — |
| Equity Init. | 267.7 | | — |
| Do. Accum. | 311.1 | | — |
| Gilt-Edged Init. | 204.2 | | — |
| Do. Accum. | 237.7 | | — |
| Guaranteed Init. | 141.3 | | — |
| Do. Accum. | 164.5 | | — |
| International Init. | 354.5 | | — |
| Do. Accum. | 412.2 | | — |
| Index Lk. Gilt Init. | 121.0 | | — |
| Do. Accum. | 140.8 | | — |

**Merchant Investors Assurance**
Leon House, 233 High St, Croydon — 01-686 9171

**Property Growth Assur Co Ltd—Contd**

**Providence Capitol Life Assc. Co Ltd**
30 Uxbridge Rd, London W12 8PG — 01-749 9111

INSURANCES

# INSURANCE, OVERSEAS & MONEY FUNDS

**World Fund S.A.**
2 Boulevard Royal, Luxembourg
World Fund NAV ........ $13.96 | +0.24 | —

**World Wide Growth Management♦**
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd........ $15 70 | −0.07 | —
Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

**Yamaichi Dynamic Mngt Co SA**
10A Boulevard Royal, Luxembourg
Advanced Tech ........ $14.10 | +0.07 | —
Dynamic Gwth Fd........ $13.19 | +0.06 | —

**Zero Bond Fund Limited**
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund ........ $11.06 11.74 | ... | —

## Money Market Trust Funds

| | Gross | Net | Gr Equiv CAR | Int Cr |
|---|---|---|---|---|
| **The Charities Deposit Fund** | | | | |
| 77 London Wall, London EC2N 1DB | | | 01-588 1815 | |
| Deposit | 12.25 | | ... | 3-Mth |
| **The Money Market Trust** | | | | |
| 63 Qn Victoria St, EC4N 4ST. | | | 01-236 0952 | |
| Call Fnd | 12.50 | 4.34 | 13.73 | 6mth |
| 7-day Fnd | 12.45 | 9.31 | 13.68 | 6mth |
| **Oppenheimer Money Management Ltd** | | | | |
| 66 Cannon St, EC4N 6AE. | | | 01-236 1425 | |
| Call Fnd | 12.43 | 9.29 | 13.59 | 6-Mth |
| 7-day Fund | 12.46 | 9.31 | 13.61 | 6-Mth |
| Dollar | 6.81 | — | — | 6-Mth |

## Money Market Bank Accounts

| | Gross | Net | Gr Equiv CAR | Int Cr |
|---|---|---|---|---|
| **Adam & Co. plc** | | | | |
| 22 Charlotte Sq, Edinburgh EH2 4DF | | | 031-225 8484 | |
| Full Service Cur Acc | 11.50 | 8.50 | 12.53 | Qtr |
| **Aitken Hume** | | | | |
| 30 City Road, EC1Y 2AY. | | | 01-638 6070 | |
| Treasury Acc | 12.00 | 8.97 | 13.26 | Qtr |
| Mth. Int. Chq. | 12.00 | 8.97 | 13.36 | Mth |
| **Allied Arab Bank Ltd** | | | | |
| 97-101 Cannon St, London, EC4N 5AD | | | 01-283 9113 | |
| NIBCA | 12.60 | 9.42 | 14.05 | mth |
| **Bank of Scotland** | | | | |
| 38 Threadneedle St, EC2P 2EH. | | | 01-628 8060 | |
| Money Mkt Cheque Acc | 11.70 | 8.74 | 13.00 | Mth |
| **Barclays Prime Account** | | | | |
| PO Box 125, Northampton | | | 0604 252891 | |
| High Int. Cheque | 12.00 | 8.875 | 13.11 | Qtr |
| **Britannia Investment Services Ltd.** | | | | |
| 74-78 Finsbury Pavement, EC2A 1JD. | | | 01-588 2777 | |
| Cater Allen | 12.00 | 8.97 | 13.3544 | Mth |
| **Charterhouse Japhet plc** | | | | |
| 1 Paternoster Row, EC4M 7DH. | | | 01-248 3999 | |
| Sterling | 12.25 | 9.16 | 13.64 | Mth |
| U.S. Dollar | 7.25 | 7.25 | 7.50 | Mth |
| German Marks | 4.25 | 4.25 | 4.33 | Mth |
| Swiss francs | 1.50 | 1.50 | 1.51 | Mth |
| Japanese Yen | 5.00 | 5.00 | 5.12 | Mth |
| **Citibank Savings** | | | | |
| St Martins Hse, Hammersmith Grove | | | 01-741 4941 | |
| Money Market Plus | — | 9.34 | 13.93 | Mth |
| **Co-operative Bank Cheque & Save** | | | | |
| 78-80 Cornhill EC3 01-626 6543. | | | | |
| £500-£2,500 | 9.50 | 7.10 | 10.41 | Qtr |
| £2,500 + | 12.06 | 9.02 | 13.33 | Qtr |
| **Dartington & Co Ltd** | | | | |
| Dartington, Totnes, Devon TQ9 6JE. | | | 0803 862271 | |
| Money Mkt Acc | 12.00 | 8.97 | 13.24 | Qtr |
| **Edward Manson & Co Ltd** | | | | |
| 9 Henrietta Place W1M 9AG | | | 01-631 3313 | |
| Cheque Deposit Acc | 12.50 | 9.34 | 13.93 | Mth |
| **Henderson/Bank of Scotland** | | | | |
| 38 Threadneedle St EC2P 2EH | | | 01-628 8060 | |
| Money Mkt. Cheque Acc. | 11.70 | 8.74 | 13.00 | Mth |
| **Legal & General (Money Mngrs) Ltd** | | | | |
| 355 Euston Road, NW1 3AG | | | 01-388 3211 | |
| High Int Dep Acc | 12.04 | 9.00 | 13.14 | 6-mth |
| **Lloyds Bank PLC** | | | | |
| 71 Lombard St, London, EC3P 3BS. | | | 01-626 1500 | |
| HighInterCheque Account | 11.75 | 9.00 | 13.30 | Qtr |
| **Lombard North Central PLC** | | | | |
| 17 Bruton St, W1A 3DH. | | | 01-409 3434 | |
| 14-Day Notice | 12.500 | 9.344 | 13.349 | — |
| **M & G/Kleinwort Benson** | | | | |
| 91-99 New London Rd, Chelmsford. | | | 0245 51651 | |
| N.I.C.A | 12.00 | 8.97 | 13.37 | Daily |
| **Midland Bank plc** | | | | |
| PO Box 2, Sheffield. | | | 0742 20999 Ext 8655 | |
| High Int Chq Acc | 11.71 | 8.75 | 12.92 | Qtr |
| £10,000 + | 12.04 | 9.00 | 13.30 | Qtr |
| **Oppenheimer Money Mgmnt Ltd** | | | | |
| 66, Cannon St, EC4N 6AE. | | | 01-236 1425 | |
| Money Mngt. Acct | 11.875 | 8.88 | 13.11 | 3-Mth |
| **Phillips & Drew Trust Ltd** | | | | |
| 120 Moorgate, London EC2M 6XP | | | 01-628 9771 | |
| High Int Chq Acc | 12.375 | 9.25 | 13.68 | Qtr |
| **Provincial Trust** | | | | |
| 30 Ashley Rd, Altrincham, Cheshire | | | 061-928 9012 | |
| High Int Chq Acc | 12.50 | 9.34 | 13.93 | Mth |
| **Royal Bank of Scotland plc** | | | | |
| 24 Lombard St, London EC3V 9BA | | | 031-557 0201 | |
| Premium Account | 12.15 | 9.08 | 13.42 | Qtr |
| **Save & Prosper/Robert Fleming** | | | | |
| 28 Western Rd, Romford RM1 3LB. | | | 0708 66966 | |
| H.I B.A. | 11.63 | 8.70 | 12.98 | Daily |
| **Tyndall & Co** | | | | |
| 29-35 Princess Victoria St, Bristol. | | | 0272 732241 | |
| Demand Acc | 12.32 | 9.21 | 13.62 | Qtr |
| Money Acc. | 12.04 | 9.00 | 13.29 | Qtr |
| **J. Henry Schroder Wagg & Co Ltd** | | | | |
| Enterprise House, Portsmouth | | | 0705 827733 | |
| Special Acc. | 11.50 | 8.60 | 12.79 | Mth |
| Over £10,000 | 11.75 | 8.78 | 13.06 | Mth |
| **Western Trust & Savings Limited** | | | | |
| The Moneycentre, Plymouth PL 1SE | | | 0752 24141 | |
| High Int Chq Acc | 12.64 | 9.46 | 13.91 | Qtr |

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

### NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

## TRADITIONAL OPTIONS

### 3-month call rates

| Industrials | p | | p |
|---|---|---|---|
| Allied-Lyons | 28 | Marks & Spencer | 13 |
| BAT | 26 | Metal Closures | 14 |
| BOC Grp | 27 | Midland Bk | 38 |
| BSR | 8 | NEI | 10 |
| BTR | 33 | Nat West Bk | 55 |
| Babcock | 13 | P & O Dfd | 35 |
| Barclays | 33 | Plessey | 14 |
| Beecham | 39 | Polly Peck | 21 |
| Blue Circle | 50 | Racal Elect | 15 |
| Boots | 24 | RHM | 12 |
| Bowaters | 30 | Rank Org Ord | 35 |
| Brit Aerospace | 32 | Reed Intnl | 60 |
| Brit. Telecom | 17 | Sears | 11 |
| Brown (J.) | 3½ | TI | 35 |
| Burton Ord | 45 | Tesco | 24 |
| Cadburys | 13 | Thorn EMI | 34 |
| Charter Cons | 18 | Trust Houses | 12 |
| Comm Union | 23 | Turner Newall | 9½ |
| Courtaulds | 13 | Unilever | 90 |
| Distillers | 36 | Vickers | 35 |
| FNFC | 12 | **Property** | |
| Gen Accident | 55 | Brit Land | 14 |
| Gen Electric | 14 | Land Secs | 26 |
| Glaxo | 100 | MEPC | 26 |
| Grand Met | 38 | Peachey | 24 |
| GUS 'A' | 70 | Samuel Props | 15 |
| Guardian | 60 | **Oils** | |
| GKN | 20 | Brist. Oil & Min. | 3½ |
| Hanson Tst. | 18 | Brit Petroleum | 45 |
| Hawker Sidd | 36 | Burmah Oil | 27 |
| ICI | 42 | Charterhall | 4 |
| 'Imps' | 16 | Premier | 5 |
| Jaguar | 27 | Shell | 55 |
| Ladbroke | 27 | Tricentrol | 18 |
| Legal & Gen | 60 | Ultramar | 18 |
| Lex Service | 24 | **Mines** | |
| Lloyds Bank | 35 | Cons Gold | 40 |
| Lucas Inds | 38 | Lonrho | 12 |
| | | Rio T Zinc | 50 |

A selection of Options traded is given on the London Stock Exchange Report Page.

# LONDON SHARE SERVICE

## BRITISH FUNDS

### "Shorts" (Lives up to Five Years)

| Interest Due | | Stock | Price £ | Last xd | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 11Oct | 11Apr | Treas. 10pcCnv 1986 | 99¾ | 14.9 | 10.03 | 12.48 |
| 19 Nov | 19 May | Treas 3pc 1986 | 98 | 14.10 | 3.06 | 12.38 |
| 19 Nov | 19 May | Exch. 10½pc 1986 | 99 | 14.10 | 10.55 | 12.52 |
| 12Dec | 12Jun | Treas 12pc 1986 | 99¾ | 5.11 | 12.02 | 11.75 |
| 10 Jan | 10 Jul | Treas 8¾pc 1984-86‡‡ | 98¾ | 4.12 | 8.60 | 11.40 |
| 29 Apr | 29 Oct | Exch. 14pc 1986 | 101 | 23.9 | 13.82 | 11.74 |
| 21 May | 21 Nov | Exch. 2½pc 1986 | 95¼ | 15.10 | [illegible] | 9.24 |
| 22Jul | 22Jan | Exch. 13¾pc 1987 | 101¾ | 16.12 | [illegible] | 11.51 |
| 10 Aug | 10 Feb | Treas 10¼pcCv '87 | 99 | 6.1 | [illegible] | 11.15 |
| 24Aug | 24 Feb | Exch. 2½pc 1987 | 94½ | 20.1 | [illegible] | 8.46 |
| 6Oct | 6Apr | Exch. 10½pc 1987 | 99 | 2.9 | [illegible] | 11.28 |
| 1 Nov | 1 May | Funding 6½pc '85-87‡‡ | 95¾ | 25.9 | 6.7[illegible] | 10.46 |
| 12Dec | 12Jun | Treas. 10pc 1987 | 98¾ | 5.11 | [illegible] | 11.03 |
| 14Jan | 14Jly | Treas 3pc 1987 | 93¾ | 9.12 | [illegible] | 8.43 |
| 3May | 3Nov | Treas. 12pc 1987 | 101¾ | 27.9 | [illegible] | 11.05 |
| 26 Jul | 26 Jan | Treas 7¾pc 1985-88‡‡ | 95 | 20.12 | [illegible] | 10.51 |
| 10Nov | 10May | Exch 10½pc '88 | 99 | 4.10 | [illegible] | 10.78 |
| 14Dec | 14Jun | Treas 9¾pc Cv '88 | 97¾ | 7.11 | 9.9[illegible] | 10.86 |
| 1Jan | 1Jul | Transport 3pc '78-88 | 88½ | 25.11 | 3.39 | 8.54 |
| 25 Apr | 25 Oct | Treas. 9½pc '88 | 96¾ | 18.9 | 9.82 | 10.92 |
| 22 Aug | 22 Feb | Treas 11½pc 1989 | 101¾ | 16.1 | 11.30 | 10.79 |
| 18 Oct | 18 Apr | Treas 9½pc Cnv. '89 | 96 | 11.9 | 9.86 | 10.91 |
| 15Nov | 15May | Treas 3pc 1989 | 85 | 9.10 | 3.53 | 8.54 |
| 14Dec | 14Jun | Treas 10½pc 1989 | 99¾ | 7.11 | 10.58 | 10.72 |
| 1Feb | 1Aug | Exch.10pc 1989 | 98 | 27.12 | 10.20 | 10.69 |
| 29 Mar | 29 Sep | Exch 11pc 1989 | 101 | 20.2 | 10.89 | 10.66 |
| 15 Apr | 15 Oct | Treas 5pc 1986-89 | 86¾ | 9.9 | 5.77 | 9.48 |
| 15 May | 15 Nov | Exch 10¼pcCv '89 | 99¾ | — | 10.26 | 10.26 |
| 15 Jul | 15 Jan | Treas 13pc 1990‡‡ | 107 | 9.12 | 12.11 | 10.63 |

### Five to Fifteen Years

### Over Fifteen Years

### Undated

### Index-Linked

### INT. BANK AND O'SEAS GOVT STERLING ISSUES

### CORPORATION LOANS

### COMMONWEALTH & AFRICAN LOANS

### LOANS

#### Building Societies

#### Public Board and Ind.

#### Financial

### FOREIGN BONDS & RAILS

### AMERICANS

### AMERICANS—Cont.

### CANADIANS

### BANKS, HP & LEASING

#### Hire Purchase, Leasing, etc.

### BEERS, WINES & SPIRITS

### BUILDING, TIMBER, ROADS

### BUILDING, TIMBER, ROADS—Cont.

### CHEMICALS, PLASTICS

### DRAPERY AND STORES

### DRAPERY & STORES—Cont.

### ELECTRICALS

### ENGINEERING

### ENGINEERING—Continued

### FOOD, GROCERIES, ETC

### HOTELS AND CATERERS

### INDUSTRIALS (Miscel.)

### INDUSTRIALS—Continued

## INDUSTRIALS—Continued

| Dividends Paid | | Stock | Price | Last xd | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| July | Jan | Midland Marts | 385 | 25.11 | 4.0 | 2.1 | 5.4 | 12.5 |
| Jan | May | Mitchell Cotts | 77 | 25.11 | 4.25 | 2.0 | 7.9 | (7.8) |
| — | | Monks & Crane 10p | 109 | — | 2.7 | 2.7 | 3.5 | 15.0 |
| Jan | July | Morgan Crucible | 275 | 11.11 | 8.5 | 1.6 | 4.4 | 19.1 |
| | May | Moss (W.) F.A. 20p | 17½ | — | g0.5 | ♦ | 4.1 | ♦ |
| Jan | Aug | | 204 | 25.11 | 13.0 | 2.7 | 4.1 | 11.2 |
| | July | | 97 | 24.2 | 2.65 | 3.4 | 3.9 | 18.4 |
| Nov | June | Computers | 300 | 24.2 | 6.0 | ♦ | 3.0 | ♦ |
| Mar | Sept | | 35 | 13.1 | 0.5 | — | 2.2 | — |
| — | | Nell & Spencer 10p | 28 | | ♦ | — | — | 8.4 |
| Jan | July | | 39 | 14.10 | 20.3 | — | 1.4 | (14.2) |
| April | Dec | | 58 | 11.11 | 0.95 | 5.9 | 2.3 | 8.3 |
| — | | Systems 5p | 140 | — | 3.0 | 2.4 | 4.3 | 13.9 |
| Jan | Aug | | 221 | 23.12 | 8.6 | 2.0 | 5.6 | 12.0 |
| Oct | April | | 52 | 24.10 | 3.0 | 1.9 | 8.2 | 8.4 |
| Feb | Aug | | 96 | 27.1 | 5.0 | ♦ | 7.4 | ♦ |
| Dec | July | | 298 | 28.10 | 17.9 | 2.6 | 5.1 | 10.8 |
| October | | | 80 | 10.2 | 4.0 | 2.6 | 7.1 | 7.1 |
| — | | Optometrics $0.01 | 35 | — | | 2.1 | 4.5 | 11.7 |
| May | Nov | | 525 | 30.9 | 23.4 | 1.8 | 4.5 | 12.4 |
| Jan | June | Overstone 12½c | 18 | 25.11 | 3.2 | 1.9 | 10.5 | 5.0 |
| May | Nov | | £149 | 15.4 | Q9% | — | 73.6 | — |
| December | | PCT Grp 10p | 108 | 25.11 | 3.2 | 1.2 | 6.7 | (24.6) |
| April | | PLM | £174 | 3.4 | | ♦ | 3.7 | ♦ |
| June | Dec | PSM Intl | 156 | 11.11 | 5.25 | 2.5 | 4.8 | 10.7 |
| — | | $0.01 | 167 | — | 3.84c | — | 1.8 | — |
| Apr | Dec | Pacific Sales 10p | 68 | 16.9 | 3.0 | 2.1 | 7.1 | 7.9 |
| May | Nov | Park Place 10p | 230 | 30.9 | 6.25 | 1.9 | 3.9 | 19.5 |
| Apr | Nov | Parker Knoll 'A' | 278 | 30.9 | 9.5 | 2.9 | 4.9 | 10.1 |

## LEISURE—Continued

| Dividends Paid | | Stock | Price | Last xd | Div Net | C'vr |
|---|---|---|---|---|---|---|
| Jan | July | Leisuretime Int 10p | 89 | 12.8 | 2.1 | 3.9 |
| — | | | 107 | — | 2.63 | 3.0 |
| 14.2 | | Media Tech Int 20p | 205 | 24.2 | 2.58 | 5.4 |
| Apr | Dec | Medminster 10p | 155 | 25.11 | 5.35 | 2.7 |
| Oct | May | Mess World 10p | 188 | 2.9 | 5.2 | ♦ |
| May | Oct | Nationwide Leisure | 78 | 16.9 | 3.75 | 2.6 |
| — | | Nimslo Int 20c | 12½ | — | — | — |
| July | | Owners Abroad 3p | 29½ | 29.4 | 1.0 | 2.2 |
| — | | Photax (Lon.) | 90 | 4'82 | — | — |
| Apr | Sept | P'dilly Radio NV 5p | 33 | 24.2 | 2.0 | 1.2 |
| — | | Pineapple Dnc St 10p | 30 | 12'84 | — | — |
| Sept | Apr | Pleasurama 5p | 330 | 2.9 | 4.4 | 3.7 |
| Sept | Mar | Do. 7pcCvCnvRedPf | 157 | 10.2 | 7% | — |
| May | Nov | Pres Entertain 50p | 94 | 14.10 | 2.0 | 2.1 |
| — | | Radio City 'A' NV | 25 | 12'84 | — | — |
| Jan | July | Radio Clyde N/V | 35 | 23.12 | 3.25 | 0.9 |
| — | | Really Useful Grp 5p | 368 | — | 11.25 | 2.2 |
| — | | Riley Leisure 10p | 57 | 10'84 | 0.7 | — |
| Apr | Nov | Saga Hols. 20p | 230 | 12.8 | 4.6 | ♦ |
| Apr | Nov | Samuelson Grp 20p | 280 | 24.2 | 2.4 | 6.0 |
| Jan | July | Sangers Photo 10p | 88 | 28.10 | 2.0 | 1.9 |
| July | Dec | Scaoro 50p | 165 | 11.11 | 3.68 | 2.6 |
| Dec | May | Scott. TV 'A' 10p | 265 | 28.10 | 8.8 | 2.8 |
| — | | SeaCo Inc $0.125 | 195 | 3'84 | — | — |
| — | | SelecTV 10p | 9½ | — | — | — |
| — | | Spectrum 5p | 34 | — | 2.0 | 4.8 |
| May | Nov | 5p | 37½ | 28.10 | 1.7 | 2.4 |
| Mar | Aug | N/Vtg 10p | 178 | 10.2 | 8.0 | ♦ |
| May | | Television Svcs 50p | 168 | 16.9 | 1.5 | 4.3 |

## INSURANCES

## LEISURE

## MOTORS, AIRCRAFT TRADES

### Motors and Cycles

### Commercial Vehicles

### Components

### Garages and Distributors

## NEWSPAPERS, PUBLISHERS

## PAPER, PRINTING, ADVERTISING

## PROPERTY

## PROPERTY—Continued

## SHIPPING

## SHOES AND LEATHER

## SOUTH AFRICANS

## TEXTILES

## TOBACCOS

## TRUSTS, FINANCE, LAND

### Investment Trusts

## INVESTMENT TRUSTS—Cont.

### Finance, Land, etc

## FINANCE, LAND—Cont.

## OIL AND GAS

## OVERSEAS TRADERS

## PLANTATIONS

### Rubbers, Palm Oil

### Teas

## MINES

### Central Rand

### Eastern Rand

### Far West Rand

## MINES—Continued

### O.F.S.

### Diamond and Platinum

### Central African

### Finance

### Australians

### Tins

### Miscellaneous

## NOTES

... yield after pending scrip and/or rights issue. M Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| | | | | | |
|---|---|---|---|---|---|
| Albany Inv 20p | 104 | +2 | Fin. 13% 97/02 | £113⅛ | ..... |
| Craig & Rose £1 | £11 | ..... | Arnotts | 250 | ..... |
| Finlay Pkg. 5p | 45 | ..... | CPI Hldgs | 55 | ..... |
| Holt (Jos) 25p | 720 | ..... | Carroll Inds. | 170 | +3 |
| IoM Stm. £1 | 62 | ..... | Dublin Gas | 52 | ..... |
| | | | Hall (R. & H.) | 60 | ..... |
| IRISH | | | Heiton Hldgs. | 25 | +1 |
| Fund 11¼% 1988 | £99⅝ | ..... | Irish Ropes | 57 | +2 |
| Nat. 9¼% 84/89 | £95¾ | +⅛ | Unidare | 125 | +7 |

"Recent Issues" and "Rights" Page 22
(International Edition Page 22)

*This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.*

# CONSTRUCTION CONTRACTS



## Bovis builds Algarve hotel

BOVIS INTERNATIONAL has been appointed managing contractor for a 150-room, five-star luxury hotel at Quinta do Lago in the Algarve, Portugal. Construction is scheduled to begin this month and the hotel will be complete in the autumn of 1987. The cost of the project is about £7m. The hotel will be landscaped into the pine-wooded hillside and the majority of rooms will have beach and sea views. Facilities will include indoor and outdoor swimming pools, a gymnasium, health centre, sauna and squash courts, a restaurant, coffee shop and bars. Interior decor will incorporate local materials including marble and hand-painted ceramics. Owner and developer is Grampian Investimentos Hoteleiros, Lisbon.

## Manchester motorway maintenance

EDMUND NUTTALL has awards worth a total of £8m. A £3m contract has been placed by the Department of Transport for the maintenance of Greater Manchester's motorways. The two-year contract, which comes into effect on April 1 after the abolition of the Greater Manchester Council, covers several aspects of routine maintenance including lighting repairs, routine resurfacing, gully emptying, grass cutting and emergency maintenance. The motorway network in Manchester includes sections of the M56, M61, M62, M63, M67 and M602. The £13.6m Norbeck Shoreline protection contract awarded by Blackpool Borough Council starts on March 3. The 1,700 metres of coast protection includes demolition of sea walls and groynes; driving steel piling and construction of reinforced concrete capping beams and aprons together with concrete pavements and renovation and structural repair of promenade shelters. The contract period is 140 weeks. The Metropolitan Borough of Wirral have awarded a £1.5m contract for the reconstruction and extension of the West Kirby marine lake which starts shortly with a 50 week contract period. The lake is to be enlarged by removing the perimeter wall and replacing it with a wall on the seaward side followed by the dredging of 71,000 cu metres of beach and lake bed material. The new wall will be constructed of 12,500 cu metres of filter stone, armoured on the outside with 6,800 cu metres of armour stone and protected on the inside with 9,800 sq metres of stone asphaltic concrete. It will have a cut off of 6,890 sq metres of steel sheet piling.

## Scottish projects for Tarmac

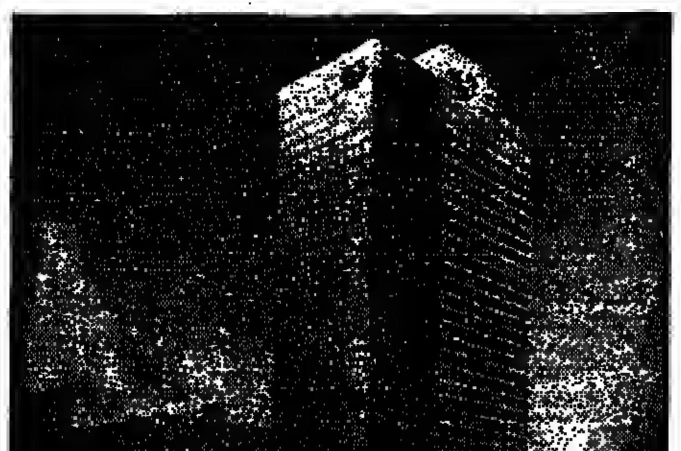
Two projects in Scotland are included in contracts, worth over £5.5m, awarded to TARMAC CONSTRUCTION. The largest is for building a £1.6m six-storey office block in West George St, Glasgow, for Bett Brothers (Properties). Work has started for completion in about 18 months. At Riccarton, West Lothian, the company has an £812,000 contract for extending a building and providing additional laboratories for Syntex Pharmaceuticals. Other contracts include office block, vehicle maintenance bay and associated works at Manchester for Esso Petroleum (£877,000); refurbishing premises in Pentonville Rd, London, for National Girobank (£501,000); and building factory units at Great Harwood, Lancashire, for Lancashire Enterprises (£475,000). The company's contract housing organisation has three contracts—modernising 55 homes for Derby City Council (£644,000) and external works on 120 homes on two sites for Leicester County Council, together worth £456,000. Tarmac Refurb has a £471,000 contract for work at Saltern Meadow Health Centre, Burntwood, Staffs, for South-East Staffordshire Health Authority.

## £4m Guildford hotel scheme

WILTSHIER SOUTHERN, Winchester, has been awarded a contract by Trusthouse Forte to build the Guildford Post House Hotel, worth over £4m. The design will follow the traditional style of two and three storeys, built in brick with a tiled roof. Work has started at Egerton Rd, Guildford, and completion is due in the first half of 1987.

★

WALTER LAWRENCE & SON is building workshops and stores for the Crossness Sewage Treatment Works in Belvedere Rd, Abbey Wood, SE2, for Thames Water, at a cost of £1.6m.



## Office tower in Ontario

Taylor Woodrow Construction Corporation, of New York, has been awarded a £14m ($18m) contract by Dover Park Development Corporation to be general contractor for the construction of a 16-storey office tower in Hamilton, Ontario, Canada. Work on the building, which will be the new headquarters of the Canadian Imperial Bank of Commerce, is due to start this month with completion in June, 1987. The 250,000 sq ft building will have two levels of basement car parking, and a reinforced-concrete frame with glass curtain walling. The entrances and lobbies will be clad in granite.

## Good start for Wallis

In the first month of 1986, G. E. WALLIS & SONS has started projects totalling £10m in London, Bristol and Swansea. Of these, two are management contracts and together total £3.55m: studios for HTV in Bristol and fitting-out an office building in the Strand for British Aerospace. In Cardiff a two-storey administration building is under construction at Maindy Barracks at £710,000 and Devonshire House in Greyfriars Road is being refurbished for the Aqua Property Co (£250,000). Work has started at the Grand Theatre, Swansea, on a refurbishment of the auditorium, construction of a new frontage and bar/foyer extensions on each side of the building. The £2.3m project is due for completion in May 1987. In London, extension and refurbishment work is underway to the TGWU regional office in Green Lanes (£1.36m), and work is nearing completion on an eight week refurbishment project at Continental Bank House in Queen Victoria Street £250,000. Decoration of galleries at the Victoria and Albert Museum will commence shortly together with renovation work to the roof £500,000, and refurbishment projects are underway at Queen Anne's Gate and Lexham Gardens, London £850,000. In Somerset, a three-storey accommodation block is undergoing refurbishment at RNAS Yeovilton for Property Services Agency £500,000.

## Building homes in north west

Building and civil engineering contracts totalling over £5m, have been won by Warrington-based CRUDEN CONSTRUCTION. At Boundary Street in Liverpool, the company is building 102 family houses for the City of Liverpool, while at Cobden Street, Woolton, work is about to start on 58 sheltered flats for Sorvite Houses. Work has started on a project to build 35, 5-person houses at Wallasey for the Wirral Borough Council. £1.7m refurbishment projects include a pilot scheme at Brookvale, Runcorn, to reclad a number of homes for Warrington Runcorn Development Corporation, and an external thermal render project to 120 homes at Harding Avenue, Birkenhead for Wirral Borough Council. On the Coldhurst Hollow Estate in Oldham, work has started on a £120,000 contract to re-roof 26 flat-roof houses for Oldham Metropolitan Borough, while at Edge Lane, Sefton, refurbishment work has started on fire damaged property for Sefton Metropolitan Borough Council.

★

LEEDS DEMOLITION CO has been awarded two contracts. The largest is for the CEGB to demolish Skelton Grange "A" power station and is valued at £2m. Work starts on April 1. The second is for British Home Stores for demolition of premises in Mansfield and the adjacent Nags Head to be redeveloped as a superstore. Leeds Demolition is a member of the recently restructured GMI Holdings group.

★

JOHN WILLMOTT WEST LONDON has been awarded a contract worth almost £2m by Normand, for the demolition of an office and workshop and rebuilding a two-storey office and canteen with attached single-storey workshop and parts department, at Park Royal, NW10.

## The week's business in parliament

TODAY

Commons: Debate on Welsh affairs on an adjournment motion. Debate on a motion taking note of EC documents relating to the European Social Fund.

Lords: Outer Space Bill, Third Reading. Museum of London Bill, Committee. Debate on Report of the EEC on Television without Frontiers.

Select Committees: Home Affairs: Subcommittee on Race Relations and Immigration—Subject: Bangladeshis in Britain. Witness: Federation of Bangladesh Associations (Room 8, 4.15 pm). Environment—Subject: Planning. Witnesses: Law Society and Planning Bar (Room 20, 4.30 pm). Treasury and Civil Service—Subject: EC Budgetary Discipline. Witnesses: Treasury officials (Room 15, 4.45 pm).

TOMORROW

Commons: Remaining stages of the Housing (Scotland) Bill. Second Reading of the Salmon Bill.

Lords: Drug Trafficking Offences Bill, Second Reading. Law Reform (Parent and Child) (Scotland) Bill, Second Reading. Unstarred question on the Government's reaction to Royal College of Nursing concern at the reorganisation of the National Health Service.

Select Committees: Education, Science and the Arts—Subject: Prison education. Witnesses: Home Office's prison department; NACRO (Room 21, 10.40 am). Trade and Industry—Subject: The tin crisis. Witnesses: Hon Alan Clark MP, Minister for Trade, Hon Peter Morrison, Minister for Industry, and officials (Room 15, 4.45 pm). Joint Committee—Lothian Region (Edinburgh Western Relief Road) Order Confirmation Bill (Room 3, 10.30 am).

WEDNESDAY

Commons: Debate on a Government motion taking note of the White Paper on developments in the EEC between January and June 1985. Motion on the annual report from the European Court of Auditors.

Lords: Short debate on the law relating to charities. Short debate on the case for a new structure for the governance and funding of universities and polytechnics. Museums and Galleries (Prohibition of Admission Charges) Bill, Second Reading.

Select Committees: Defence—Subject: Defence implications of the future of Westland plc. Witness: to be announced (Room 8, 10.30 am). Energy—Subject: Coal industry. Witnesses: British Association of Colliery Management; Union of Democratic Mineworkers (Room 8, 10.30 am). Employment—Subject: Manpower Services Commission's corporate plan 1986-90. Witnesses: MSC officials (Room 8, 4.15 pm). Public Accounts—Subject: Provision of legal aid in England and Wales. Witness: Sir Derek Oulton KCB, QC, Lord Chancellor's Department. Mr D. Edwards, The Law Society (Room 16, 4.15 pm). Social Services—Subject: Prison Medical Services. Witnesses: Prison Officers' Association; Prison Governors Branch, SCPS; Association of Chief Officers of Probation; National Association of Probation Officers (Room 21, 4.15 pm). Environment—Subject: Planning. Witnesses: Association of County Councils; Association of Metropolitan Authorities; Association of District Councils (Room 20, 4.30 pm). Trade and Industry—Subject: Westland plc. Witness: Rt Hon Michael Heseltine MP (Room 15, 4.45 pm). Unopposed Bills: Isle of Wight, City of London (Various Powers), Swansea City Council (Tawe Barrage) (Room 11, 4.15 pm).

THURSDAY

Commons: Opposition Day: Debate on the plight of the elderly. Motion on local government reorganisation regulations.

Lords: Legal Aid (Scotland) Bill. Protection of Military Remains Bill, Second Reading.

Select Committees: Agriculture—Subject: The effect of pesticides on human health. Witnesses: Health and Safety Executive. (Room 18, 10.45 am). Joint Committee—Lothian Region (Edinburgh Western Relief Road) Order Confirmation Bill. (Room 3, 10.30 am).

FRIDAY

Commons: Private Members' Motions.

# BUSINESSMAN'S DIARY

## UK TRADE FAIRS AND EXHIBITIONS

Current
Glass and Glass Technology Exhibition — GLASSEX (0378 77966) (until March 5) — NEC, Birmingham

March 4-6
Business Telecom Exhibition (01-868 4466) — Barbican Centre

March 4-7
World Dredging Exhibition and Congress (01-549 5831) — Brighton

March 9-10
British Chemists Exhibitions—BRITCHEM (01-902 4258) — NEC, Birmingham

March 11-12
International Production Show for the Electronics Industry (0280 815226) — Olympia

March 16-19
Meat Technology and Food Processing Exhibition — MEATEX (0423 61819) — NEC, Birmingham

March 16-19
Harrogate Fashion Fair (01-637 2400) — Exhibition Centre

March 17-20
Materials Testing Exhibition—MT 86 (07072 75641) — NEC, Birmingham

March 24-27
Information Technology and Office Automation Exhibition and Conference—INFO (01-647 1001) — Olympia

March 25-27
Fashion Fabrics Exhibition — FASHION FABREX (01-385 1200) — Olympia

April 2-4
London Book Fair (01-940 6065) — Barbican Centre

April 3-6
Spring Annual Gardening Exhibition—SAGE (021-780 4171) — NEC, Birmingham

April 6-10
National Pub, Club and Leisure Show (01-222 9341) — Olympia

April 8-10
International Helicopter Technology and Operations Conference and Exhibition (01-549 5831) — Aberdeen

## OVERSEAS TRADE FAIRS

March 3-7
Asian Safety, Security and Fire Equipment Exhibition (01-487 2622) — Kuala Lumpur

March 13-16
Scandinavian Travel and Tourism Exhibition — REJS 86 (Copenhagen 45 1 51 8811) — Copenhagen

March 17-21
Store and Shopfitting Equipment and Machinery Exhibition — KORSTORE (01-439 0501) — Seoul

March 19-23
International Spring Trade Fair (01-977 4351) — Vienna

March 20-26
International Machine Tool, Metalworking & Allied Industries Exhibition (01-486 1951) — Beijing

March 22-24
International Footwear Trade Fair (01-493 3893) — Dusseldorf

March 22-25
Fashion Week (01-486 1951) — Munich

March 26-29
SE Asian Building and Construction Equipment Exhibitions — CONEQUIP / SIBEX (01-891 5051) — Singapore

April 20-24
Third Saudi Oil Show (01-486 3741) — Al-Khobar

April 22-26
International Packaging Exhibition—PROPACK (021-705 6707) — Brussels

April 22-25
International Traffic Engineering Trade Fair (01-487 2175) — Amsterdam

May 2-15
International Printing and Paper Fair—DRUPA (01-493 3893) — Dusseldorf

May 5-8
Business Efficiency, Office Automation and Business Communication Exhibition — BEE/OFEX (01-855 7777) — Hong Kong

## BUSINESS AND MANAGEMENT CONFERENCES

March 4
Financial Post: Investing in Canada—a new partner in North America (01-434 2233) — Grosvenor House, W1

March 4-5
FT Conferences: Cable Television and Satellite Broadcasting (01-621 1355) — Hotel Inter-Continental, W1

March 5
Business Briefings/Tolley Acting for Lloyds' underwriters (01-381 1224) — Connaught Rooms, WC2

March 5-6
Institute for International Research: Advanced techniques for using the European currency unit (01-434 1017) — CFS Conference Centre, W1

March 6-7
Euromoney: Mergers and acquisitions (01-236 3288) — Hyde Park Hotel, SW1

March 9-11
Metal Bulletin Conferences: Fourth International Mini Mills conference (01-330 4311) — Hilton International, Paris

March 11
FT Conferences: The Euromarkets in 1986 (01-621 1355) — Hotel Inter-Continental, W1

March 12
High-Point Research and Studies: Key to better building and development (021-632 4561) — Royal Garden Hotel, W1

March 14
The Economist: Putting your messages across—making corporate communications work (01-839 7000) — Portman Hotel, W1

March 17-18
FT Conferences: Pensions in 1986 (01-621 1355) — Hotel Inter-Continental, W1

March 17-19
Iraq Reinsurance Co: International conference on war risks insurance (01-626 2351) — Baghdad

March 19-20
Lion International: Planning construction management (01-533 2705) — Tower Hotel, E1

March 21
Oracle Business Information: Managing a unit trust—taxation and accounting requirements (01-727 5120) — City Conference Centre

March 25
Marketing Conferences: How to stay in business when the Financial Services Bill becomes law—Survival '86 (01-434 3711) — Strand Theatre

April 7-8
FT Conferences: Technology and the New Securities Markets (01-621 1355) — Hotel Inter-Continental, W1

April 14-15
FT Conferences: The fourth manufacturing automation forum (01-621 1355) — Hotel Inter-Continental, W1

April 15-16
IBC: Marketing in the travel industry (01-236 4080) — Portman Hotel, W1

April 15
Oracle Business Information: Tax planning for the single contract self-employed (01-727 3603) — 22 Portman Close, W1

April 22-23
FT Conferences: The prospects for tourism in Britain (01-621 1355) — Hotel Inter-Continental W1

*Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.*

# WORLD STOCK MARKETS

## AUSTRIA

## BELGIUM/LUXEMBOURG

## DENMARK

## FRANCE

## SWITZERLAND

## GERMANY

## NETHERLANDS

## HONG KONG

## SOUTH AFRICA

## AUSTRALIA

| 1985/6 High | Low | Feb. 28 | Price Aust. $ |
|---|---|---|---|
| — | — | Adelaide Steams | 12.1 |
| 5.93 | 4.28 | AHZ Group | 4.93 |
| 2.58 | 1.75 | Ampol Pet. | 2.45 |
| 1.32 | 0.75 | Ashton | 1.3 |
| 3.35 | 1.88 | Aust. Cons. Inds. | 3.55 |
| 3.4 | 2.2 | Aust. Guarantee. | 2.58 |
| 3.22 | 2.28 | Aust. Nat. Inds | 5.18 |
| 6.36 | 3.4 | APM | 3.36 |
| 16.0 | 4.7 | Bell Group | 6.00 |
| 6.42 | 1.77 | Bell Res. | 4.2 |
| 8.85 | 0.27 | Bond Corp Hldgs | 2.64 |
| 3.86 | 6.06 | Boral | 3.32 |
| 8.49 | 1.51 | Bougainville | 2.37 |
| 3.4 | 3.46 | Brambles Inds. | 3.4 |
| 2.65 | 1.66 | Bridge Oil | 1.76 |
| 7.67 | 3.68 | B. H. Prop. | 6.44 |
| — | — | Burns Philip | 5.44 |
| 6.6 | 4.28 | CRA | 3.22 |
| 2.25 | 2.64 | CSR | 3.02 |
| 1.27 | 0.88 | Claremont Set | 0.96 |
| 4.66 | 3.60 | Coles (G.J.) | 4.36 |
| 2.88 | 1.0 | Comalco "A" | 2.15 |
| 0.45 | 0.19 | Consolidated Pet | 0.8 |
| 2.5 | 1.25 | Costain Aust | 2.9 |
| 3.6 | 2.28 | Elders IXL | 6.36 |
| 1.85 | 1.30 | Energy Res | 1.6 |
| 3.23 | 8.05 | Gen. Prop. Trust | 2.3 |
| 3.64 | 2.33 | Hardie (James) | 3.54 |
| 8.6 | 1.52 | Hartogen Energy | 1.85 |
| 6.22 | 3.4 | HeraldW'y Times | 5.3 |
| 2.4 | 1.84 | ICI Aust | 2.33 |
| 0.39 | 0.2 | Jimberlana F.5 | 0.88 |
| 0.39 | 0.1 | Kia Ora Gold | 0.18 |
| 8.6 | 4.90 | Kidston Gold | 3.68 |
| 7.25 | 4.86 | Lend Lease | 6.8 |
| 3.45 | 9.23 | MIM | 2.33 |
| 3.73 | 2.82 | Mayne Nickless | 3.73 |
| 3.14 | 5.40 | Nat. Aust. Bank | 5.25 |
| 12.9 | 6.25 | News | 12.8 |
| 5.08 | 1.29 | Nicholas Kiwi | 3.05 |
| 0.9 | 0.55 | Noranda P. (Ppd) | 0.85 |
| 9.82 | 1.72 | North Bkn Hill | 2.34 |
| 1.59 | 0.55 | Oakbridge | 1.04 |
| 2.98 | 1.86 | Pacific Dunlop | 2.98 |
| 2.15 | 0.80 | Pancontinental | 1.98 |
| 9.71 | 1.31 | Pioneer Conc | 9.48 |
| 4.8 | 8.8 | Poseidon | 2.5 |
| 1.80 | 1.07 | Queensland Coal | 1.36 |
| 4.9 | 2.0 | Reckitt &Colman | 4.8 |
| 1.65 | 1.08 | Repco | 1.35 |
| 6.86 | 4.05 | Santos | 4.03 |
| 6.3 | 3.35 | Smith (Howard) | 4.9 |
| 3.14 | 1.71 | Thos. Nationwide | 3.14 |
| 5.2 | 6.1 | Tooth | 5.1 |
| 4.6 | 8.0 | Vamgas | 3.0 |
| 4.54 | 2.68 | Western Mining | 3.6 |
| 6.26 | 5.36 | Westpac Bank | 6.18 |
| 1.51 | 0.77 | Woodside Petrol | 1.19 |
| 3.85 | 9.35 | Woolworths | 3.85 |
| 4.00 | 5.12 | Wormald Intl | 3.4 |

## ITALY

| 1985/6 High | Low | Feb. 28 | Price Lire |
|---|---|---|---|
| 26,600 | 15,400 | Banca Com'le | 25,896 |
| 608 | 66.5 | Bastogi IRBS | 678 |

## NORWAY

## SWEDEN

## SINGAPORE

## SPAIN

## JAPAN

| 1985/6 High | Low | March 1 | Price Yen |
|---|---|---|---|
| 1,355 | 1,045 | Ajinomoto | 1,360 |
| 275 | 415 | All Nippon Air | 871 |
| 2,097 | 1,190 | Alps Electric | 1,620 |
| 1,100 | 621 | Asahi Chem | 770 |
| 972 | 769 | Asahi Glass | 978 |
| 273 | 691 | Bank Tokyo | 762 |
| 575 | 500 | Bridgestone | 542 |
| 743 | 540 | Brother Inds | 571 |
| 1,480 | 880 | Canon | 989 |
| 2,050 | 1,350 | Casio Comp | 1,580 |
| 1,270 | 845 | Chugai Pharm. | 1,035 |
| 963 | 503 | Daiei | 951 |
| 1,990 | 1,320 | Dai-Ichi Kan. Bk. | 1,500 |
| 337 | 197 | Dai Nippon Ink | 350 |
| 1,400 | 952 | Dai Nippon Ptg | 1,380 |
| 995 | 532 | Daiwa House | 968 |
| 1,050 | 531 | Daiwa Sec. | 958 |
| 2,002 | 1,183 | Eisai | 1,510 |
| 9,300 | 8,050 | Fanuc | 8,690 |
| 1,840 | 1,890 | Fuji Bank | 1,550 |
| 2,180 | 1,650 | Fuji Film | 1,780 |
| 1,320 | 808 | Fujisawa | 1,030 |
| 1,860 | 863 | Fujitsu | 950 |
| 453 | 318 | Furukawa Elect. | 351 |
| 2,450 | 1,600 | Green Cross | 2,160 |
| 973 | 677 | Heiwa Real Est. | 910 |
| 893 | 530 | Hitachi | 783 |
| 1,490 | 1,080 | Hitachi Credit | 1,420 |
| 1,550 | 1,010 | Honda | 1,020 |
| 1,640 | 844 | Indl. Bk. Japan | 1,100 |
| 218 | 140 | Ishikawajima Hr. | 168 |
| 489 | 320 | Isuzu Motors | 360 |
| 475 | 323 | Itoh (C) | 449 |
| 3,550 | 9,270 | Ito-Yokado | 3,200 |
| 13,700 | 4,950 | JAL | 13,000 |
| 1,240 | 660 | Jusco | 1,200 |
| 598 | 809 | Kajima | 372 |
| 1,200 | 724 | Kao Soap | 1,200 |
| 213 | 134 | Kawasaki Steel | 147 |
| 894 | 549 | Kirin | 991 |
| 240 | 144 | Kobe Steel | 194 |
| 510 | 453 | Komatsu | 483 |
| 748 | 601 | Konishiroku | 875 |
| 416 | 316 | Kubota | 343 |
| 953 | 518 | Kumagai | 850 |
| 7,100 | 3,050 | Kyocera | 4,150 |
| 418 | 300 | Marubeni | 333 |
| 1,830 | 923 | Marui | 1,830 |
| 492 | 372 | Mazda Motors | 378 |
| 520 | 469 | Meiji Seika | 513 |
| 1,370 | 1,050 | MEI | 1,210 |
| 1,790 | 1,380 | M'bishi Bank | 1,480 |
| 672 | 343 | M'bishi Chem | 656 |
| 709 | 312 | M'bishi Corp | 655 |
| 410 | 306 | M'bishi Elect | 334 |
| 1,270 | 539 | M'bishi Estate | 1,050 |
| 478 | 234 | MHI | 394 |
| 1,280 | 930 | Mitsui Bank | 1,000 |
| 494 | 324 | Mitsui Co. | 445 |
| 1,140 | 592 | Mitsui Estate | 1,140 |
| 252 | 186 | Mitsui Toatsu | 850 |
| 723 | 557 | Mitsukoshi | 670 |
| 980 | 652 | NGK Insulators | 980 |
| 765 | 365 | Nikko Sec. | 766 |
| 1480 | 1,160 | Nippon Denso | 1,800 |
| 1,350 | 900 | Nippon Elect | 1,180 |
| 700 | 329 | Nippon Express | 694 |
| 2,400 | 1,040 | Nippon Gakki | 1,580 |
| 1,510 | 750 | Nippon Kogaku | 1,040 |

# CANADA

## TORONTO

*Closing prices February 28*

## MONTREAL

*Closing prices February 28*

# OVER-THE-COUNTER

*Nasdaq national market, closing prices, February 28*

Continued from Page 37

# NYSE COMPOSITE CLOSING PRICES

Continued from Page 37

## NEW YORK INDICES

## CANADA

## NEW YORK ACTIVE STOCKS

| | Feb. 28 | Feb. 27 | Feb. 26 | Feb. 25 | 1985-86 High | Low |
|---|---|---|---|---|---|---|
| HONG KONG Hang Seng Bank (31/7/64) | 1695.30 | 1729.51 | 1746.30 | 1748.85 | 1826.84 (8/1/86) | 1220.74 (2/1/85) |
| ITALY Banca Comm Ital. (1972) | 567.55 | 562.35 | 552.38 | 557.11 | 567.55 (28/2/86) | 228.56 (2/1/85) |
| JAPAN** Nikkei (16/5/49) | 13640.83 | 13642.1 | 13621.7 | 13579.2 | 13642.1 (27/2/86) | 11545.2 (5/1/85) |
| Tokyo SE New (4/1/68) | 1090.70 | 1090.87 | 1081.56 | 1079.56 | 1090.7 (28/2/86) | 916.63 (4/1/85) |
| NETHERLANDS ANP.CBS General (1970) | 242.1 | 242.6 | 244.5 | 243.8 | 257.9 (8/1/86) | 185.6 (3/1/85) |
| ANP.CBS Indust (1970) | 235.1 | 235.1 | 236.5 | 235.5 | 255.3 (17/1/85) | 147.9 (3/1/85) |
| NORWAY Oslo SE (4/1/83) | 352.05 | 358.48 | 355.01 | 354.47 | 412.88 (12/11) | 288.18 (2/1/85) |
| SINGAPORE Straits Times (30/12/66) | 625.27 | 628.55 | 628.88 | 629.08 | 852.65 (7/5) | 588.41 (28/1/86) |
| SOUTH AFRICA JSE Gold (28/9/78) | — | 1166.2 | 1214.7 | 1245.7 | 1507.9 (27/1/86) | 828.5 (5/6) |
| JSE Indust (28/9/78) | — | 1183.2 | 1164.7 | 1160.5 | 1164.7 (26/2/86) | 767.1 (7/5) |
| SPAIN Madrid SE (30/12/85) | 129.52 | 124.26 | 120.75 | 115.82 | 129.52 (28/2/86) | 100.0 (30/12/85) |
| SWEDEN Jacobson & P (31/12/56) | 1838.85 | 1807.52 | 1902.68 | 1877.45 | 1907.23 (9/1/86) | 1285.32 (9/7) |
| SWITZERLAND Swiss BankCpn (31/12/58) | 554.7 | 556.4 | 566.2 | 588.3 | 625.5 (9/1/86) | 388.7 (3/1/85) |
| WORLD M.S. Capital Intl. (1/1/70) | — | 288.5 | 278.4 | 279.6 | 288.3 (28/2/86) | 184.8 (4/1/85) |

** Saturday February 22 Japan Nikkei 13,433.21. TSE 1,072.17.
Base value of all indices is 100, except: Brussels SE—1,000; JSE Gold—255.7; JSE Industrial 264.3; Australia All Ordinary and Metals—500; NYSE Composite—50; Standard and Poors—10 and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

# NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

*Closing prices, February 28*

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 20⅝ | 10⅝ | AAR | s | | 18 | 406 | 20⅝ | 20 | 20⅝ | +⅛ |
| 25⅝ | 10¼ | AGS | | | 17 | 201 | 24⅝ | 24 | 24¼ | +⅛ |
| 14 | 6⅞ | AMCA | | | | 21 | 12 | 11⅝ | 11⅝ | −⅛ |
| 52¾ | 37½ | AMR | | | 9 | 8881 | u53½ | 51⅛ | 52⅞ | +1⅛ |
| 25⅝ | 18⅝ | AMR | pf2.18 | 8.5 | | 3 | 25⅝ | 25½ | 25½ | −⅛ |
| 25⅝ | 23¼ | ANR | pf 2.67 | 11. | | 714 | 25 | 24 | 25 | +⅛ |
| 12½ | 7⅝ | APL | | | 7 | 28 | 11⅝ | 11⅜ | 11⅝ | +¼ |
| 16¾ | 10⅝ | ARX | | | 13 | 141 | 15 | 14⅝ | 15 | +⅛ |
| 55⅝ | 32¾ | ASA | 2a | 5.8 | | 292 | 36¼ | 35½ | 35¾ | −⅜ |
| 25 | 10½ | AVX | | 1.8 | | 556 | 17⅝ | 17⅛ | 17¼ | −⅛ |
| 28¾ | 20⅝ | AZP | 2.72 | 8.5 | 7 | 5827 | u26¼ | 25⅝ | 25⅝ | +½ |
| 72 | 45¾ | AbtLab 1.40 | | 2.0 | 18 | 4009 | 70⅞ | 69⅛ | 70½ | +2 |
| 30⅛ | 19⅝ | AccoWd .50 | | 1.7 | 21 | 80 | u30¼ | 30⅛ | 30¼ | +¼ |
| 24¾ | 10 | AcmeC .40 | | 3.3 | 16 | 752 | 12⅞ | 12¼ | 12¼ | −⅜ |
| 10 | 7 | AcmeE .32b | | 3.6 | 17 | 58 | 9¼ | 9 | 9 | |
| 19¾ | 16⅛ | AdaEx 1.90e | | 10. | | 154 | 18¾ | 18⅝ | 18½ | +¼ |
| 20 | 14 | AdmMl .40 | | 1.5 | 11 | 39 | 26 | 25¾ | 25⅞ | −½ |
| 20⅝ | 8¾ | AdvSys 1.36t | | 6.8 | 18 | 548 | 20 | 19⅝ | 19⅝ | |
| 34 | 22⅞ | AMD | | | | 2311 | 32¼ | 31⅛ | 31⅛ | −⅝ |
| 12⅝ | 10 | Adobe n | | | | 122 | 10¼ | 10 | 10⅛ | |
| 16⅝ | 14⅝ | Adob pf 1.84 | | 11. | | 23 | 16⅝ | 16¼ | 16⅝ | |
| 18½ | 15¼ | Adob pf 2.40 | | 13. | | 75 | 16¼ | 16⅛ | 16⅛ | −⅜ |
| [illegible] | | | | | | | | | | |

Continued on Page 37

# NYSE COMPOSITE CLOSING PRICES

Continued from Page 36

# AMEX COMPOSITE CLOSING PRICES

*Closing prices February 28*

# OVER-THE-COUNTER

*Nasdaq national market, closing prices, February 28*

Continued on Page 35

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

Continued on Page 35

# CURRENCIES, MONEY and CAPITAL MARKETS

## FOREIGN EXCHANGES

# The weak and the strong

BY COLIN MILLHAM

Currencies divided into blocks last week, which were simply a reflection of their weakness or strength, and had nothing to do with currency agreements or geographical location.

The dollar, Canadian dollar and sterling were the weak currencies, and the D-mark, Swiss franc and Japanese yen were strong.

There are obvious geographical links between the US and Canada, and West Germany and Switzerland, but the reasons for the movement of their respective currencies were not the same.

The dollar touched its lowest levels for about four years against the D-mark and Swiss franc, but was little changed against the yen.

These three currencies have taken it in turn to lead against the dollar, before pausing while the others catch up. Part of the reluctance to continue pushing the dollar down against the yen last week was comments by Japanese officials, including Mr Yasuhiro Nakasone, the Prime Minister, indicating a wish for stability.

Buying demand centred on the D-mark, as the move out of the dollar continued. Mr Paul Volcker, chairman of the Federal Reserve Board, surprised the market and tended to encourage dollar weakness, when he told a Congressional committee he had no substantial difference of opinion with Mr James Baker, US Treasury Secretary, about the currency.

Mr Baker was seen as welcoming a further fall, while the previous week Mr Volcker had warned Congress about the dire consequences of a downward spiral in the dollar's value.

On the following day dealers were equally surprised when according to Japanese sources Mr Martin was calling for a new Group of Five meeting to discuss stabilisation of the dollar, and also suggested the Bank of Japan should cut its discount rate.

Possibly there was confusion in translation, but Mr Martin soon denied both suggestions.

Reports from Tokyo indicated that a Group of Five meeting was planned for early this month, in London, but here again there appears to be confusion.

Senior officials from the seven leading industrial nations, known as the Group of Seven, are to meet in London around that time, to discuss the agenda for a May summit in Tokyo.

The other strong currency, the Swiss franc, remained supported by the lack of Swiss banking exposure to Mexican and South American debt, where difficulties caused by falling prices among the oil producers, threatened to cause problems for US banks.

Proposals to cut the Canadian budget deficit were not well received, and coupled with the effects of falling oil prices put pressure on the Canadian dollar. The Bank of Canada probably provided some support, when the Canadian dollar fell below 70 US cents on Friday.

Sterling also suffered from the decline in oil prices, finishing the week unchanged at $1.4470, but falling to DM 3.2275 from DM 3.34; FFr 9.93 from FFr 10.26; SFr 2.7325 from SFr 2.80; and Y261 from Y264.75. On Bank of England figures the exchange rate index fell to 73.2 from 74.5.

### £ IN NEW YORK

| Close | Feb. 28 | Prev. close |
|---|---|---|
| £ Spot | $1.4420-1.4440 | $1.4680-1.4700 |
| 1 month | 0.58-0.57pm | 0.52-0.57pm |
| 3 months | 1.59-1.57pm | 1.58-1.55pm |
| 12 months | 4.95-4.85pm | 4.80-4.70pm |

Forward premiums and discounts apply to the U.S. dollar.

### CURRENCY FUTURES

**POUND—$ (FOREIGN EXCHANGE)**

| Spot | 1-mth. | 3-mth. | 6-mth. | 12-mth. |
|---|---|---|---|---|
| 1.4470 | 1.4412 | 1.4309 | 1.4183 | 1.3975 |

**LIFFE—STERLING £25,000 $ per £**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 1.4490 | 1.4665 | 1.4585 | 1.4765 |
| June | 1.4340 | 1.4465 | 1.4340 | 1.4620 |
| Sept | 1.4220 | — | — | 1.4500 |

Est volume 115 (52)
Previous day's open int 2,839 (2,837)

**LIFFE—DEUTSCHE MARKS DM 125,000 $ per DM**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 0.4483 | 0.4516 | 0.4483 | 0.4470 |
| June | 0.4521 | — | — | 0.4507 |

Est volume 87 (113)
Previous day's open int 283 (327)

### CHICAGO

**U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 94-26 | 97-00 | 94-00 | 94-09 |
| June | 94-00 | 96-01 | 93-03 | 93-12 |
| Sept | 93-10 | 95-13 | 92-14 | 92-19 |
| Dec | 92-23 | 94-23 | 92-05 | 91-30 |
| March | 92-06 | 94-10 | 91-20 | 91-12 |
| June | 91-23 | 93-11 | 91-07 | 90-29 |
| Sept | — | — | — | — |
| Dec | 90-29 | 91-26 | 90-17 | 90-05 |
| March | 90-12 | 92-10 | 90-11 | 89-28 |
| June | 90-11 | — | — | 89-21 |

**U.S. TREASURY BILLS (IMM) $1m points of 100%**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 93.10 | 93.12 | 93.07 | 93.11 |
| June | 93.39 | 93.53 | 93.36 | 93.39 |
| Sept | 93.39 | 93.54 | 93.32 | 93.34 |
| Dec | 93.25 | 93.43 | 93.12 | 93.20 |
| March | 93.05 | 93.24 | 92.97 | 93.00 |
| June | 92.86 | 93.10 | 92.81 | 92.81 |
| Sept | 92.69 | 92.92 | 92.63 | 92.64 |
| Dec | 92.52 | 92.61 | 92.49 | 92.49 |

**CERT. DEPOSIT (IMM) $1m points of 100%**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 92.55 | 92.61 | 92.56 | 92.54 |
| June | 92.72 | 92.84 | 92.71 | 92.72 |
| Sept | 92.66 | — | — | 92.62 |
| Dec | 92.49 | — | — | 92.45 |

**THREE-MONTH EURODOLAR (IMM) $1m points of 100%**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 92.24 | 92.34 | 92.22 | 92.23 |
| June | 92.39 | 92.55 | 92.35 | 92.39 |
| Sept | 92.36 | 92.51 | 92.30 | 92.32 |
| Dec | 92.10 | 92.39 | 92.16 | 92.15 |
| March | 91.97 | 92.16 | 91.91 | 91.93 |
| June | 91.75 | 91.94 | 91.71 | 91.71 |
| Sept | 91.56 | 91.73 | 91.49 | 91.51 |
| Dec | 91.37 | 91.66 | 91.34 | 91.33 |

**IMM—STERLING $s per £**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 1.4380 | 1.4670 | 1.4335 | 1.4695 |
| June | 1.4220 | 1.4516 | 1.4170 | 1.4560 |
| Sept | 1.4100 | 1.4340 | 1.4100 | 1.4440 |
| Dec | 1.3960 | 1.4200 | 1.4100 | 1.4330 |

**LIFFE—EURODOLLAR OPTIONS $1m points of 100%**

| Strike price | Calls—Last March | June | Sept | Vol | Puts—Last March | June | Sept | Vol |
|---|---|---|---|---|---|---|---|---|
| 90.00 | 2.25 | 2.39 | — | — | 0.00 | 0.00 | — | — |
| 90.50 | 1.75 | 1.89 | 1.84 | — | 0.00 | 0.00 | 0.01 | — |
| 91.00 | 1.25 | 1.40 | 1.37 | — | 0.00 | 0.01 | 0.04 | — |
| 91.50 | 0.75 | 0.92 | 0.93 | — | 0.00 | 0.03 | 0.10 | — |
| 92.00 | 0.28 | 0.50 | 0.56 | 15 | 0.03 | 0.11 | 0.23 | 350 |
| 92.50 | 0.03 | 0.20 | 0.28 | — | 0.28 | 0.31 | 0.45 | — |
| 93.00 | 0.00 | 0.05 | 0.11 | — | 0.75 | 0.66 | 0.78 | — |

Previous day's open int. Calls 3,824, Puts 3,278

**LIFFE £/$ OPTIONS £25,000 (cents per £1)**

| Strike price | Calls—Last March | April | May | June | Sept | Puts—Last March | April | May | June | Sept |
|---|---|---|---|---|---|---|---|---|---|---|
| 1.20 | 25.10 | — | — | 25.10 | — | 0.00 | — | — | 0.08 | — |
| 1.25 | 20.10 | 20.10 | — | 20.10 | 20.10 | 0.00 | 0.00 | — | 0.27 | 1.29 |
| 1.30 | 15.10 | 16.10 | 16.10 | 10.10 | 10.10 | 0.00 | 0.05 | 0.42 | 0.74 | 2.33 |
| 1.35 | 10.10 | 10.10 | 10.10 | 10.10 | 11.06 | 0.02 | 0.31 | 1.16 | 1.70 | 3.86 |
| 1.40 | 5.20 | 5.63 | 6.46 | 0.74 | 6.16 | 0.30 | 1.20 | 2.89 | 3.34 | 5.55 |
| 1.45 | 1.75 | 2.67 | 3.73 | 4.18 | 5.81 | 1.86 | 3.24 | 4.91 | 6.78 | 8.61 |
| 1.50 | 0.31 | 1.00 | 1.99 | 2.40 | 4.00 | 6.41 | 6.57 | 8.12 | 9.00 | 11.80 |

Estimated volume total, Calls 568, Puts 1,135
Previous day's open int. Calls 0,821, Puts 6,974

**LONDON SE £/$ OPTIONS £12,500 (cents per £1)**

| Strike price | Calls—Last March | April | May | June | Sept | Puts—Last March | April | May | June | Sept |
|---|---|---|---|---|---|---|---|---|---|---|
| 1.20 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| 1.25 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| 1.30 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| 1.35 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| 1.40 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| 1.45 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| 1.50 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

Previous day's open int, Calls n.a., Puts n.a.
Volume, n.a.

**PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)**

| Strike price | Calls—Last March | Apr | May | June | Sept | Puts—Last March | Apr | May | June | Sept |
|---|---|---|---|---|---|---|---|---|---|---|
| 1.20 | — | — | — | — | — | — | — | — | 0.15 | — |
| 1.25 | — | — | — | — | — | — | — | — | — | — |
| 1.30 | — | — | — | — | — | — | — | — | — | — |
| 1.35 | — | — | — | — | — | 0.15 | 0.40 | 1.10 | 1.60 | — |
| 1.40 | — | — | — | — | 7.80 | 0.65 | 1.55 | 2.70 | 3.40 | — |
| 1.45 | 1.40 | 2.45 | — | 3.65 | 4.70 | 2.45 | 3.95 | 4.75 | 5.50 | — |
| 1.50 | — | 1.10 | 1.70 | 1.95 | — | — | 7.50 | 7.80 | — | 10.50 |

Previous day's open int: Calls 60,367, Puts 62,036
Previous day's volume: Calls 3,671, Puts 1,062

### LONDON

**20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 114-28 | 115-16 | 114-12 | 114-25 |
| June | 115-24 | 116-22 | 116-15 | 115-21 |
| Sept | 116-12 | — | — | 116-09 |

Est volume 4,825 (8,118)
Previous day's open int 5,496 (8,816)
Basis quote (clean cash price of 13% Treasury 2004/08 less equivalent price of near futures contract) −4 to 4 (32nds)

**10% NOTIONAL SHORT GILT £100,000 64ths of 100%**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 97-62 | 98-08 | 98-00 | 98-04 |
| June | 98-22 | 98-36 | 98-28 | 98-34 |

Est volume 594 (160)
Previous day's open int 827 (848)

**THREE-MONTH STERLING £500,000 points of 100%**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 87.78 | 87.94 | 87.76 | 87.94 |
| June | 88.66 | 88.85 | 88.64 | 89.80 |
| Sept | 89.15 | 89.33 | 89.28 | 89.29 |
| Dec | 89.49 | 89.66 | 89.60 | 89.61 |
| March | 89.63 | 89.77 | 89.73 | 89.76 |
| June | 89.70 | — | — | 89.62 |

Est volume 2,002 (3,371)
Previous day's open int 11,753 (11,485)

**FT-SE 100 INDEX £25 per full index point**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 153.80 | 155.60 | 153.60 | 154.95 |
| June | 155.60 | 156.55 | 155.40 | 156.65 |
| Sept | 157.60 | — | — | 158.65 |

Est volume 466 (732)
Previous day's open int 1,604 (1,817)

**THREE-MONTH EURODOLLAR $1m points of 100%**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 92.25 | 92.36 | 92.10 | 92.17 |
| June | 92.39 | 92.56 | 92.37 | 92.33 |
| Sept | 92.33 | 92.52 | 92.32 | 92.26 |
| Dec | 92.12 | 92.35 | 92.75 | 92.08 |
| March | 91.87 | 92.09 | 91.93 | 91.88 |
| June | 91.75 | 91.83 | 91.70 | 91.66 |
| Sept | 91.55 | 91.50 | 91.50 | 91.46 |
| Dec | 91.36 | 91.33 | 91.30 | 91.27 |

Est volume 6,975 (5,683)
Previous day's open int 10,958 (13,723)

**US TREASURY BONDS 8% $100,000 32nds of 100%**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 94-27 | 96-17 | 94-08 | 93-24 |
| June | 94-00 | 95-31 | 93-10 | 92-31 |

Est volume 9,031 (9,431)
Previous day's open int 3,716 (2,940)

### CURRENCY MOVEMENTS

| Feb. 28 | Bank of England Index | Morgan Guaranty Change % |
|---|---|---|
| Sterling | 73.2 | −12.1 |
| U.S. dollar | 117.2 | +6.2 |
| Canadian dollar | 76.2 | −14.0 |
| Austrian schilling | 127.5 | +7.4 |
| Belgian franc | 94.2 | −7.7 |
| Danish Kroner | 86.6 | −0.2 |
| Deutsche mark | 153.4 | +14.6 |
| Swiss franc | 156.5 | +14.4 |
| Guilder | 124.4 | +2.1 |
| French franc | 72.2 | −5.8 |
| Lira | 46.2 | −17.4 |
| Yen | 189.9 | +40.4 |

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

### OTHER CURRENCIES

| Feb. 28 | £ | $ |
|---|---|---|
| Arg'tina | 1.1672-1.1703 | 0.8000-0.8010 |
| Aus'alia | 2.0836-2.0865 | 1.4285-1.4300 |
| Brazil | 20,090-20,200 | 13,770-13,840 |
| Finland | 7.4060-7.4380 | 5.0535-5.0555 |
| Greece | 200.20-204.65 | 136.25-132.25 |
| H'kong | 11.3550-11.3650 | 7.8030-7.8050 |
| Iran | 112.90* | 80.10* |
| Kuwait | 0.4110-0.4120 | 0.28175-0.28210 |
| Lux'burg | 66.10-66.20 | 45.65-45.76 |
| Malaysia | 3.2240-3.6340 | 2.4200-2.4950 |
| N'Z'land | 2.7815-2.7013 | 1.6065-1.2120 |
| Saudi Ar. | 5.3280-5.3400 | 3.6605-3.6625 |
| Sin'pore | 3.1530-5.1400 | 2.1505-2.1355 |
| S.Af.(Cm) | 2.8900-2.9015 | 1.6780-1.6260 |
| S.Af.(Fn) | 3.8960-4.0023 | 2.6665-2.7695 |
| U.A.E. | 6.3525-6.3716 | 6.6720-6.6735 |

* Selling rate.

### CURRENCY RATES

| Feb. 28 | Bank rate % | Special Drawing Rights | European Currency Unit |
|---|---|---|---|
| Sterling | — | 0.787089 | 0.661243 |
| U.S.$ | 7½ | 1.15584 | 0.070704 |
| Canadian $ | 11.80 | * | 1.38626 |
| Austria Sch. | 4 | 18.0216 | 15.1430 |
| Belgian Fr. | 9¾ | 52.5532 | 44.1404 |
| Danish Kr. | 7 | 9.47442 | 7.96609 |
| D'mark | 4 | 2.56428 | 2.15525 |
| Guilder | 5 | 2.89942 | 2.45501 |
| French Fr. | 9½ | N/A | 6.62891 |
| Lira | 16½ | 1745.84 | 1467.70 |
| Yen | 4½ | 207.704 | 174.224 |
| Norway Kr. | 8 | 8.07269 | 6.79736 |
| Span'h Pta. | — | 161.940 | 136.095 |
| Swedish Kr. | 9½ | N/A | 6.26170 |
| Swiss Fr. | 4 | 2.16675 | 1.81861 |
| Greek Drch | 20½ | 162.564 | 134.006 |
| Irish Punt | — | N/A | 0.713229 |

* C$/SDR rate for Feb 27: 1.632627.

### POUND SPOT—FORWARD AGAINST POUND

| Feb 28 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.4450-1.4725 | 1.4465-1.4475 | 0.60-0.57c pm | 4.85 | 1.64-1.58pm | 4.45 |
| Canada | 2.0530-2.1007 | 2.0530-2.0560 | 0.07-0.18c dis | −0.72 | 0.23-0.05pm | 0.27 |
| Nethlnd. | 3.62¾-3.68 | 3.63½-3.64½ | 2¼-2c pm | 6.73 | 5¾-5½pm | 2.12 |
| Belgium | 65.76-66.92 | 66.10-66.20 | 16-8c pm | 2.16 | 46-34pm | 2.40 |
| Denmark | 11.86¾-12.04 | 11.86¾-11.87¾ | 6-4¾ore pm | 5.31 | 14¾-12pm | 4.38 |
| Ireland | 1.0695-1.0780 | 1.0695-1.0705 | 0.40-0.25p pm | 3.62 | 1.20-0.75pm | 3.62 |
| W. Ger. | 3.22¼-3.26¾ | 3.22½-3.23½ | 2¼-2⅛pf pm | 8.08 | 5¾-6pm | 7.54 |
| Portugal | 210.47-215.88 | 210.47-212.14 | 210-590c dis | −22.20 | 510-1410dis | −17.76 |
| Spain | 204.15-206.39 | 204.15-204.51 | 40c pm-80dis | −1.17 | 40-125dis | −1.61 |
| Italy | 2,185-2,226¾ | 2,192½-2,193½ | 10-18lire dis | −7.04 | 32-40dis | −6.50 |
| Norway | 10.13½-10.26¾ | 10.13½-10.14½ | ½-1ore dis | −0.69 | 2¼-3¼dis | −1.08 |
| France | 9.88½-10.04¾ | 9.92½-9.93½ | 1¾-3½c dis | −3.15 | 5-7½dis | −2.60 |
| Sweden | 10.38¾-10.52½ | 10.38¾-10.39¾ | 1¼-½ore pm | 0.93 | 3¼-2pm | 1.00 |
| Japan | 260½-265¾ | 260½-261½ | 1.48-1.34y pm | 6.41 | 4.17-4.00pm | 6.19 |
| Austria | 22.65-22.93 | 22.65-22.69 | 12¼-11gro pm | 6.21 | 33-28⅞pm | 5.42 |
| Switz. | 2.72½-2.76 | 2.72¾-2.73¾ | 2¼-1⅞c pm | 8.75 | 5¾-5½pm | 8.20 |

Belgian rate is for convertible francs. Financial franc 66.35-66.45. Six-month forward dollar 2.91-2.84c pm. 12-month 5.05-4.85c pm.

### DOLLAR SPOT—FORWARD AGAINST DOLLAR

| Feb 28 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.4450-1.4725 | 1.4465-1.4475 | 0.60-0.57c pm | 4.85 | 1.64-1.58pm | 4.45 |
| Ireland† | 1.3520-1.3670 | 1.3540-1.3560 | 1.15-0.90pm | 9.03 | 5.25-2.60pm | 2.59 |
| Canada | 1.4205-1.4335 | 1.4230-1.4250 | 0.64-0.68c dis | −5.56 | 1.47-1.53dis | −4.20 |
| Nethlnd. | 2.4945-2.5165 | 2.5155-2.5165 | 0.41-0.39c pm | 1.92 | 1.22-1.19pm | 1.92 |
| Belgium | 45.34-45.80 | 45.65-45.75 | 8-12c dis | −2.64 | 19-25dis | −1.84 |
| Denmark | 8.15½-8.20¾ | 8.20¼-8.20¾ | ¼ore pm-par | 0.55 | ¼pm-¼dis | −0.06 |
| W. Ger. | 2.2050-2.2325 | 2.2300-2.2310 | 0.63-0.58pf pm | 3.27 | 1.86-1.21pm | 3.31 |
| Portugal | 146½-147½ | 146½-147½ | 200-500c dis | −28.57 | 800-1200dis | −23.13 |
| Spain | 139.40-141.00 | 140.60-140.80 | 25-75c dis | −4.28 | 150-200dis | −4.95 |
| Italy | 1,504-1,516 | 1,515-1,516 | 14-16lire dis | −11.89 | 40-42dis | −10.83 |
| Norway | 6.96½-7.01¼ | 7.00½-7.01 | 3-3½ore dis | −6.45 | 9½-9¾dis | −6.42 |
| France | 6.79-6.86½ | 6.86-6.86½ | 4-5c dis | −7.91 | 11-12½dis | −6.89 |
| Sweden | 7.14-7.18¼ | 7.18-7.18½ | 2⅛-2½ore dis | −3.87 | 5¾-6¼dis | −3.35 |
| Japan | 179.40-180.80 | 180.40-180.50 | 0.24-0.21y pm | 1.50 | 0.89-0.85pm | 1.93 |
| Austria | 15.52½-15.68 | 15.66-15.68 | 3-1gro pm | 1.54 | 6-2pm | 1.03 |
| Switz. | 1.8600-1.8880 | 1.8870-1.8880 | 0.65-0.60c pm | 4.01 | 1.87-1.82pm | 3.95 |

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 45.86-45.95.

### EXCHANGE CROSS RATES

| Feb 28 | £ | $ | DM | YEN | F Fr. | S Fr. | H Fl. | Lira | C $ | B Fr. |
|---|---|---|---|---|---|---|---|---|---|---|
| £ | 1. | 1.447 | 3.228 | 261.0 | 9.930 | 2.733 | 3.640 | 2123. | 2.066 | 66.16 |
| $ | 0.691 | 1. | 2.231 | 180.5 | 6.863 | 1.888 | 2.516 | 1612. | 1.421 | 45.70 |
| DM | 0.310 | 0.448 | 1. | 80.87 | 3.077 | 0.847 | 1.128 | 659.6 | 0.637 | 20.50 |
| YEN | 3.831 | 5.544 | 12.37 | 1000. | 38.02 | 10.47 | 13.95 | 8408. | 7.277 | 253.4 |
| F Fr. | 1.007 | 1.457 | 3.250 | 262.8 | 10. | 2.752 | 3.666 | 2143. | 2.070 | 66.22 |
| S Fr. | 0.366 | 0.530 | 1.181 | 95.52 | 3.634 | 1. | 1.332 | 802.2 | 0.756 | 24.21 |
| H Fl. | 0.275 | 0.398 | 0.887 | 71.70 | 2.728 | 0.751 | 1. | 602.6 | 0.568 | 18.17 |
| Lira | 0.456 | 0.660 | 1.472 | 119.0 | 4.528 | 1.246 | 1.660 | 1000. | 0.938 | 30.18 |
| C $ | 0.486 | 0.704 | 1.570 | 126.9 | 4.830 | 1.329 | 1.770 | 1067. | 1. | 32.17 |
| B Fr. | 1.512 | 2.187 | 4.870 | 394.6 | 15.01 | 4.131 | 5.503 | 3216. | 3.109 | 100. |

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

### FORWARD RATES AGAINST STERLING

| | Spot | 1-month | 3-month | 6-month | 12-month |
|---|---|---|---|---|---|
| Dollar | 1.4470 | 1.4412 | 1.4309 | 1.4183 | 1.3975 |
| D-Mark | 3.2275 | 3.2056 | 3.1663 | 3.1120 | 3.0172 |
| French Franc | 9.93 | 9.9563 | 9.9926 | 9.9599 | 9.8842 |
| Swiss Franc | 2.7325 | 2.7125 | 2.6763 | 2.6274 | 2.5420 |
| Japanese Yen | 261.00 | 259.61 | 256.92 | 253.15 | 246.75 |

### EURO-CURRENCY INTEREST RATES

| Feb. 27 | Short term | 7 Days notice | 1 Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | 12⅛-12¼ | 12⅝-12¾ | 12⁹⁄₁₆-12¹¹⁄₁₆ | 12⁷⁄₁₆-12⁹⁄₁₆ | 12-12⅛ | 11¹¹⁄₁₆-11¹³⁄₁₆ |
| U.S. Dollar | 7⁹⁄₁₆-7¹¹⁄₁₆ | 7⁹⁄₁₆-7¹¹⁄₁₆ | 7⁹⁄₁₆-7¹¹⁄₁₆ | 7¾-7⅞ | 7⁹⁄₁₆-7¹¹⁄₁₆ | 7¾-7⅞ |
| Can Dollar | 16⅜-13⅞ | 18⅛-13⅝ | 12⅞-13⅛ | 11⁹⁄₁₆-11¹³⁄₁₆ | 10¹³⁄₁₆-11⅛ | 10⅝-10⅞ |
| D Guilder | 6-6⅛ | 2⅞-6 | 5⅞-5⅝ | 5⅝-5¾ | 5¾-5⅞ | 5¾-5⅞ |
| Sw. Franc | 2¼-2⅛ | 2⅞-3⅛ | 5¾-5⅞ | 5¾-5⅞ | 3¾-3⅞ | 5⅝-5⅞ |
| Deutschmrk | 6-6¼ | 4¹¹⁄₁₆-4⅞ | 4⅞-4¹¹⁄₁₆ | 4⁷⁄₁₆-4⅝ | 4⅝-4⅞ | 4⅝-4⅞ |
| Fr. Franc | 2½-10 | 10-12 | 14½-16 | 14-14½ | 12½-13 | 10¾-11¼ |
| Italian Lira | 14-16 | 21⅛-24⅛ | 20-21 | 12¾-10⅞ | 17⅛-12 | 16⅞-16⅛ |
| B.Fr.(Fin) | 10-10¼ | 9⅝-10 | 2⅝-2⅞ | 9⅝-2⅞ | 2-9¼ | 2¾-0 |
| B.Fr(Con) | 10-10½ | 10-10½ | 10⅛-11 | 10¼-10¾ | 2½-10 | 8¾-2¼ |
| Yen | 7⅛-7¾ | 6⅛-6¾ | 2⅛-6⅝ | 5⅞-3⅞ | 6⅛-6⅛ | 2⅞-6⅝ |
| D. Krone | 2⅛-7 | 7¾-8¼ | 7¾-8¼ | 7¾-8¼ | 8-8½ | 8-8½ |
| Asian $ (Sng) | 7⅛-8 | 7⅞-8 | 7⁹⁄₁₆-7¹¹⁄₁₆ | 7¾-7⅞ | 7¾-7⅞ | 7⁹⁄₁₆-7¹¹⁄₁₆ |

Long-term Eurodollars: two years 8-8¼ per cent; three years 8⅛-8⅜ per cent; four years 8⅜-8½ per cent; five years 8⅜-8⅝ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu February 28 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 44.8320 | 44.1404 | −1.54 | +1.13 | ±1.5425 |
| Danish Krone | 8.12857 | 7.96609 | −2.00 | +0.67 | ±1.6421 |
| German D-mark | 2.23840 | 2.15525 | −3.71 | −1.04 | ±1.1455 |
| French Franc | 6.86402 | 6.62891 | −3.41 | −0.74 | ±1.3654 |
| Dutch Guilder | 2.52208 | 2.43501 | −3.45 | −0.78 | ±1.5162 |
| Irish Punt | 0.724578 | 0.713229 | −1.57 | +1.10 | ±1.6673 |
| Italian Lira | 1520.60 | 1467.70 | −3.48 | −1.88 | ±4.0856 |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

## MONEY MARKETS

# Sterling holds the key

Interest rates continued to fall on the London money market last week, but hopes of lower bank base rates tended to fade, as the pound reacted nervously to oil price movements. Sterling was unchanged against the dollar, but this was after losing about 3½ cents on Friday, while failure to improve against such a depressed currency as the dollar could hardly be regarded as an encouraging sign for interest rates.

Nervousness increased late Friday as the pound tumbled to a record low against the D-mark and to below 10 French francs for the first time since September 1981.

For much of the week falling oil prices were ignored, as money came out of the dollar and was attracted by high London interest rates, but with May delivery North Sea crude losing 1 cent a barrel on Friday, when it was quoted at $12.70, sterling came under pressure.

**UK clearing banks base lending rate 12½ per cent since January 9**

Good UK trade figures, published on Wednesday, followed equally encouraging January data on currency reserves, money supply, bank lending and public sector borrowing, released earlier in February.

Taken together these figures turned sentiment in the money market from expectations of an imminent rise in bank base rates, to optimism about a cut, but the performance of sterling will provide the key. Ministers from the Organisation of Petroleum Exporting Countries are expected to meet in Geneva on the weekend of March 15 and 16. The UK Budget follows on Tuesday March 18, but whether oil prices, and by implication the value of sterling, will allow lower base rates around that time appeared increasingly doubtful on Friday.

### NEW YORK

(4 pm)

| | |
|---|---|
| Prime rate | 9½ |
| Broker loan rate | 8¾ |
| Fed funds | 7¾ |
| Fed funds at intervention | 7⅞ |

**Treasury Bills & Bonds**

| | |
|---|---|
| One month | 6.99 |
| Two month | 7.16 |
| Three month | 7.26 |
| Six month | 7.37 |
| One year | 7.42 |
| Two year | 7.71 |
| Three year | 7.79 |
| Four year | 7.84 |
| Five year | 7.91 |
| Seven year | 8.00 |
| 10 year | 8.14 |
| 30 year | 8.28 |

### BANK OF ENGLAND TREASURY BILL TENDER

| | Feb. 28 | Feb. 21 | | Feb. 28 | Feb. 21 |
|---|---|---|---|---|---|
| Bills on offer | £100m | £100m | Top Accepted rate of discount | 11.8635% | 12.0550% |
| Total of applications | £662.22m | £480m | Average rate of discount | 11.8481% | 12.0390% |
| Total allocated | £100m | £100m | Average yield | 12.21% | 12.40% |
| Minimum accepted bid | £97.045 | £96.995 | Amount on offer at next tender | £100m | £100m |
| Allotment at minimum level | 29% | 100% | | | |

### WEEKLY CHANGE IN WORLD INTEREST RATES

| | Feb. 28 | change | | Feb. 28 | change |
|---|---|---|---|---|---|
| **LONDON** | | | **NEW YORK** | | |
| Base rates | 12½ | Unch'd | Prime rates | 9½ | Unch'd |
| 7 day interbank | 12⅛ | [illegible] | Federal funds | 7⅞ | Unch'd |
| 3mth interbank | 12¼ | [illegible] | 3 Mth. Treasury Bills | 7.26 | [illegible] |
| Treasury Bill Tender | 11.8481 | −0.1909 | 6 Mth. Treasury Bills | 7.32 | −0.12 |
| Band 1 Bills | 12⅛ | Unch'd | 3 Mth. CD | 7.60 | −0.07 |
| Band 2 Bills | 12⅛ | Unch'd | **FRANKFURT** | | |
| Band 3 Bills | 12⅛ | Unch'd | Lombard | 5.5 | Unch'd |
| Band 4 Bills | 11⅞ | Unch'd | One Mth. Interbank | 4.25 | Unch'd |
| 3 Mth. Treasury Bills | 11⅞ | [illegible] | Three month | 4.425 | Unch'd |
| 1 Mth. Bank Bills | 12⅛ | [illegible] | **PARIS** | | |
| 3 Mth. Bank Bills | 11⅞ | [illegible] | Intervention Rate | 8¾ | Unch'd |
| **TOKYO** | | | One Mth. Interbank | 8¾ | Unch'd |
| One month Bills | 6.09375 | +0.125 | Three month | 9½ | Unch'd |
| Three month Bills | 5.90625 | Unch'd | **MILAN** | | |
| **BRUSSELS** | | | One month | 17¾ | [illegible] |
| One month | 9⅝ | Unch'd | Three month | 16⅛ | [illegible] |
| Three month | 9½ | | **DUBLIN** | | |
| **AMSTERDAM** | | | One month | 12⅛ | [illegible] |
| One month | 5⅝ | [illegible] | Three month | 12⅛ | [illegible] |
| Three month | 5⅝ | [illegible] | | | |

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

### FT LONDON INTERBANK FIXING

| (11.00 a.m. Feb. 28) Three months US dollars | | Six months US dollars | |
|---|---|---|---|
| bid 7¾ | offer 7⅞ | bid 7¾ | offer 7⅞ |

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

### MONEY RATES

| Feb. 28 | Ov'r-nig't | One Month | Two Months | Three Months | Six Months | Lombard Interv'ntion |
|---|---|---|---|---|---|---|
| Frankfurt | 6.45-6.50 | 4.5-4.3 | 4.35-4.45 | 4.35-4.50 | 4.40-4.55 | 5.5 |
| Paris | 8¾-8⅞ | 8½-8⅝ | 8¾-8⅝ | 8⅝-8¾ | 8⅝-8½ | 8¾ |
| Zurich | 1¼-1⅝ | 3⅝-3¾ | 3¾-3⅞ | 3⅞-4 | 3⅞-4 | — |
| Amsterdam | 6½-6⅝ | 6¼-6⅜ | 6-6⅛ | 6⅛-6¼ | 5¾-5⅞ | — |
| Tokyo | 5.03125 | 6.09375 | — | 5.90625 | [illegible] | — |
| Milan | 17¼-17½ | 17¼-17⅞ | 17⅛-17⅜ | 16⅞ | — | — |
| Brussels | 9¾ | 9⅝-9¾ | 9⅝ | 9⅝ | — | — |
| Dublin | 15¼-15½ | 15¼-15½ | 16⅛-16⅜ | 15¼-16⅛ | 14-14¼ | — |

### LONDON MONEY RATES

| Feb. 28 | Over night | 7 days notice | Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank | 12½-10½ | 12⅜-12⅛ | 12¾-12⅛ | 12⅛-12⅜ | 11⅞-12⅛ | 11½-11⅞ |
| Sterling CDs | — | — | 12⁹⁄₁₆-12½ | 12⅛-12 | 11⅞-11¾ | 11⅝-11½ |
| Local Authority Deps. | 12⅛-12⅛ | 12⅛-10½ | 12⅛ | 12 | 11⅞ | 11¾ |
| Local Author'y Bonds | — | — | 12¾ | 12¾ | [illegible] | [illegible] |
| Discount Mkt Deps. | 10-12 | 10½-12⅛ | 12⅛-12⅛ | 12⅛ | — | — |
| Company Deposits | — | — | 12⅝ | 12⅛ | 12 | — |
| Finance Hse Deposits | — | — | 12¾ | 12½ | 12⅛ | — |
| Treasury Bills (Buy) | — | — | 12¼ | 11⅞ | — | — |
| Bank Bills (Buy) | — | — | 12⅛ | 11⅞ | 11½-11⅞ | — |
| Fine Trade Bills (Buy) | — | — | 12½ | 12½ | 11⅞ | — |
| Dollar CDs | — | — | 7.65-7.70 | 7.65-7.70 | 7.65-7.70 | 7.80-7.85 |
| SDR Linked Deposit | — | — | 8⅛-8¼ | 8½-8⅞ | 7⅞-8 | [illegible] |
| ECU Linked Deposit | — | — | 8½-8⅝ | 8⅝-8¾ | 8⅞-8¾ | [illegible] |

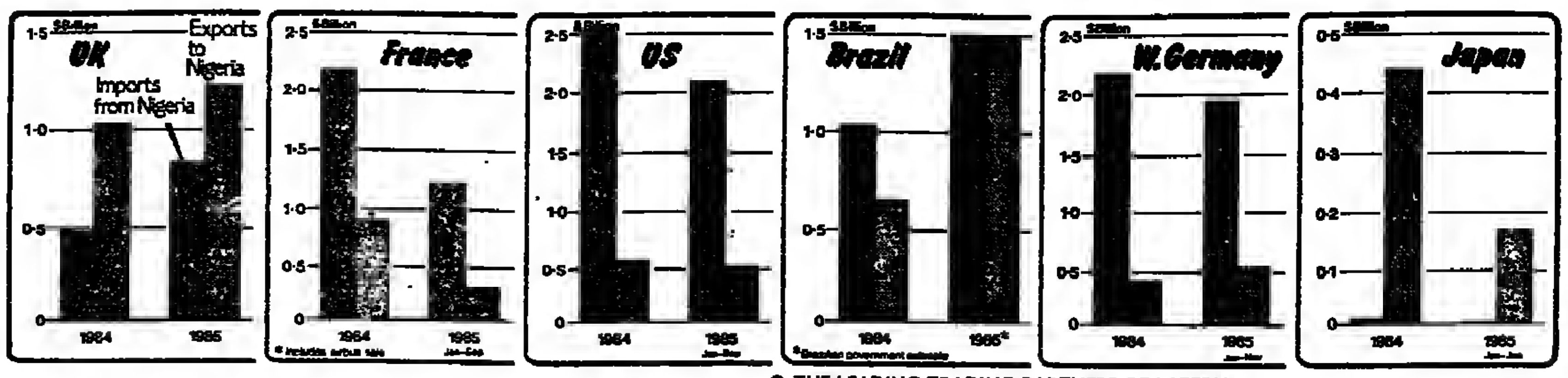
Treasury Bills (sell): one-month 12¼ per cent; three-months 11⅞ per cent. Bank Bills (sell): one-month 12⅛-12⅛ per cent; three-months 11⅞-11⅞ per cent. Treasury Bills: Average tender rate of discount 11.8481 per cent. ECGD Fixed Finance Scheme IV reference date January 2 to February 4 (inclusive): 13.077 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rates 13 per cent from March 1, 1986. Bank Deposit Rate for sums at seven days' notice 8-8½ per cent. Certificates of Tax Deposit (Series 6). Deposits £100,000 and over held under one month 12⅛ per cent; one-three months 11¾ per cent; three-six months 11½ per cent; six-nine months 11½ per cent; nine-12 months 11½ per cent. Under £100,000 11½ per cent from February 26. Deposits held under Series 5 11¼ per cent. Deposits withdrawn for cash 7½ per cent.

SECTION III

# FINANCIAL TIMES SURVEY

# NIGERIA

PART TWO: Part one appeared last Monday




● THE LEADING TRADING PARTNERS OF NIGERIA

With import licences now frozen and old trade debts of at least $5bn still unsettled, Nigeria's suppliers and importers face a tough year in a once-lucrative market. The next 12 months will be critical.

## Falling oil prices cause trade cutbacks

**WITHIN WEEKS of a budget that sought to cut imports to a barely tolerable level, the Nigerian military government has been forced to freeze the import licences on which domestic industry depends.**

It is further evidence of the squeeze that the recent slump in oil prices is putting on an economy already under severe pressure.

By Christian Tyler
Trade Editor

"I have written this year off," says one businessman. "I will just close my eyes and keep on going."

For any manufacturer in Nigeria today, the immediata prospect is grim indeed. By common consent, only the biggest can survive the economic shock which is still to come. Others will be forced into bankruptcy — a few long-established expatriate concerns may pull out forever.

The reason for this pessimism is of course Nigeria's fearful dependence on one commodity —oil—for the wherewithal to sustain her industry. So much of the benefit of oil has been squandered, so much money has been siphoned off into external bank accounts that the Third Oil Shock—as tha present price slide is being called — will be twice as painful as it should have been.

Oil has been allowed to squeeze out almost every other export industry. Last year, it accounted for more than 97 per cent of foreign exchange revenue. In the excitement of the oil discoveries, agriculture was allowed to become moribund. For example, Nigeria used to be among the world's biggest exporters of ground nut oil. Today it has to import groundnuts.

The fast-falling oil price has made nonsense of a budget that had been awarded high marks for effort by many economic commentators. President Babangida, leader of the military council that took over last August, had boped to cut Nigeria's import bill by around N1bn to roughly N6.5bn this year. After paying for invisibles of another N1bn, that would have left N5.2bn for imports by private and state companies.

Even at last year's higher rates of imports, Nigerian industry was operating at an averaga capacity of only 20 per cent. At this year's intended rate, even if the policy of giving priority to raw materials and essential goods is made to stick, it is hard to see bow factories will cope. And if Nigeria fails to achieva the debt rescheduling it needs, the squeeze on imports will become a veritable clamp.

The budget made some attempt to stimulate exports without recourse to the politically-impossible naira devaluation. An import duty surcharge of 30 per cent bas been imposed from the start of this year: most of the revenue is earmarked for a package of export incentives still to be implemented.

Import licences continue to be required for all types of goods, and getting hold of import licences has become a national obsession: it is the first topic of conversation at any expatriate social gathering. The 1985 licences were extended to the end of April this year, and the 1986 licences were due to be issued at tha time of going to press.

A number of changes have been made to a cumbersome and largely corrupt procedure. The new licences will have to be used in quarterly instalments so that the central bank of Nigeria can keep a closer watch on the release of hard currency.

Secondly, the licence applications will be vetted hy state governments as well as at the centre, in an effort to check that they go to bona fide businessmen. This could mean that wholly national companies will win preference over those still counted as foreign, and could add to the already complex bureaucracy.

Businessmen say that attempts to stamp out the illegal trade in import licences have not succeeded, even though tbings have been made more difficult for the middlemen: an import can now only be paid for through the bank-account of the named bolder of the licence, for example.

The Government, meanwhile, has introduced another kind of licence, not valid for the release of foreign exchange, in the bope of conserving the hard currency it so badly needs if it is to pay its debts. Around N2bn worth of these licences are thought to have been issued, but few think they will be greatly used. Companies abroad will be unwilling to pay for shipments to Nigeria unless, perhaps it is for parts oeeded to keep a subsidiary's plant running.

There is some evidence that the licences are being used to import consumer merchandise—not the priority goods for which they were intended. The supposition is that the importers have found ways of changing their naira profits back into bard currency on the black market.

One thing is clear, however. The promised reform of the licensing procedure will bave to materialise if companies are to continue running the manufacturing and agricultural enterprises that the Government has urged them to take up in the national interest.

### Incentives

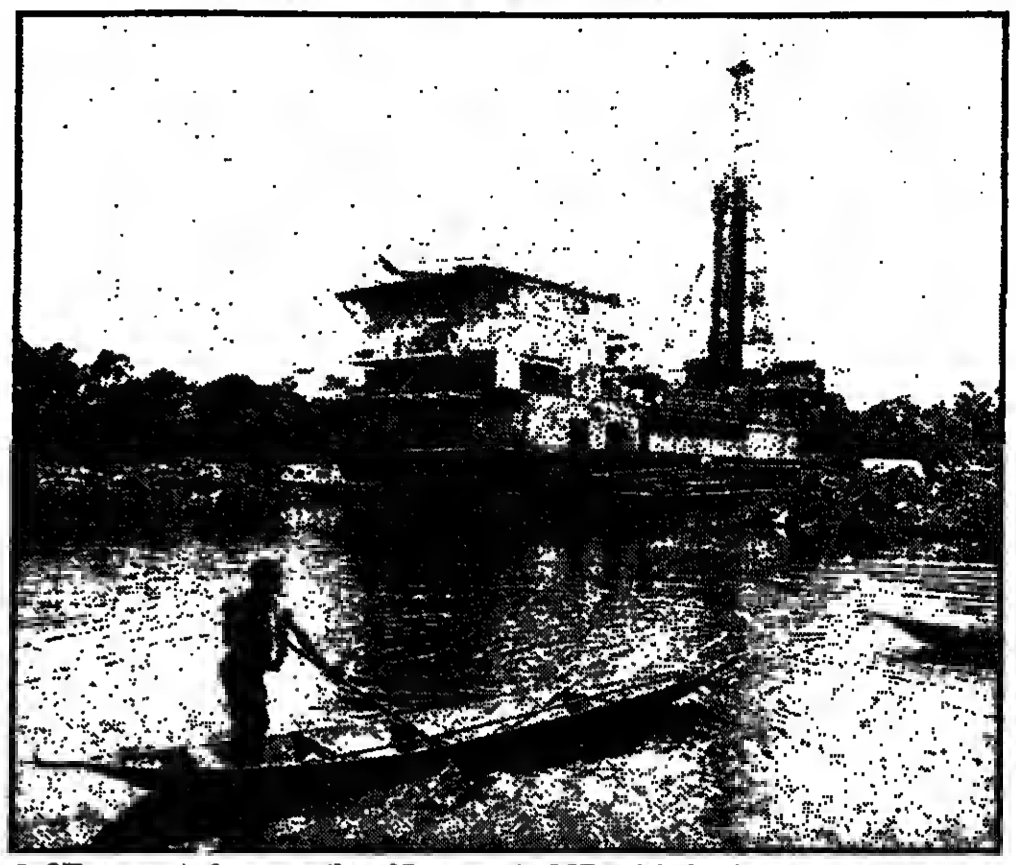
On the export side, the promised package of incentives would complete the other half of Nigeria's covert devaluation. Among its main elements are tbe right to keep a quarter of foreign exchange earned, exemption from the new 30 per cent import levy, and priority for import licences.

Licences are still required for exports, too, a stipulation that industry bopes will soon be dropped. To get an export licence, the company bas to show a letter of credit issued in his favour by his overseas customer. The snag is that the huyer may not be prepared to open sucb a letter unless he knows the seller has an export licence.

Furthermore, businessmen say, the red tape is just as tangled for exporting as it is for importing—something President Babangida has said be will correct.

Non-oil exports accounted for only 2.7 per cent of all exports last year. Of that fraction, two-thirds was cocoa. With the

CONTINUED ON PAGE 2



● OIL accounts for more than 97 per cent of Nigeria's foreign exchange earnings. The Government is offering incentives to foreign joint venture partners to step np oil exploration. Above: The Shell Belle Isle Rig in the Binwei Field of Bendel State.

### IN THIS SURVEY



● PART ONE of this survey, which appeared on February 24, contained major articles on the political scene, the economy and industry. Copies are available from the FT's Back Copies Dept. io London, Tel. 01 623 1211.

● PHOTOGRAPHS in this survey are by Ashley Ashwood.

Just how much is owed to overseas suppliers is hard to assess. Sorting out the trade debts is still continuing after two years.

# Foreign suppliers' claims reach $10bn

## Trade arrears

CHRISTIAN TYLER

IT LOOKS certain that, whatever else happens to Nigeria's debt this year, a lot of overseas suppliers will end up owed a lot of money that will never be paid.

Reliable figures for the scale of the trade arrears are impossible to come by, but the best estimates are that at least $6bn to $7bn of unpaid trade bills had accumulated up to the end of 1983. Sorting out those debts is still going on after more than two years and will not be completed for several months yet.

The Nigerian Government and its advisers believe the short-term arrears are about $5.3bn of which some $4bn is owed to exporters who did not take out insurance. But when the process of reconciling exporters' claims with the importers' paperwork began, claims totalling some $10bn were submitted.

Allowing for discrepancies and the over-enthusiasm of some claimants, that still leaves a wide gap between the two sides' figures.

The former finance minister in his Budget statement this year said the Nigerian Central Bank's liability for settling trade arrears was estimated at just over $3bn. The reconciliation exercise being conducted by Chase Manhattan Bank had by the middle of January matched up $1.75bn worth of claims, with another $1bn worth about to be recognised.

Reconciliation has been slow, mainly because the method chosen has involved tracing documentation on both sides of each transaction. The quicker method, of checking documents held by the banks, could not be used because of the chaotic state of the Nigerian central bank's records.

It may become slower still as the more difficult cases are reached. Some creditors fear that the scandal surrounding the collapse of the Johnson Matthey Bank will make the Nigerians doubly reluctant to honour some trade debts. Some grounds for that fear can be found in President Babangida's budget speech, when he referred to the 30 per cent of foreign exchange that would be allocated for debt servicing.

"We believe this is a realistic estimate considering the recent revelations in the JMB affair and other foreign exchange scandals, with the clear implication that not all purported external debts would eventually be certified," he said.

This allocation of 30 per cent translates into just under N3bn, based on projected foreign exchange earnings of N9.6bn before the price of oil, Nigeria's principal foreign exchange earner, began to slide. If the Government were to start servicing all the trade debt this year that would cost it N1bn alone, according to one banker.

Nigeria is actually due to pay more than N4bn to service its total external debt this year but hopes to get through by rescheduling.

### Payments

The country has kept up with its medium- and long-term debt repayments but at the expense of short-term commitments, bankers say. Trade payments were running 120 days late on average at the beginning of the year, with 180 days in later months. It is about 90 days now. One consequence is that importers are finding its increasingly difficult to get banks to extend credit, even if import licences are available from the Nigerian Government.

Another consequence is that export credit insurance is still restricted and expensive. Britain's Export Credits Guarantee Department, for instance, will insure Nigerian trade only on a letter of credit basis and has imposed a premium surcharge, reportedly of £1.24 per £100. Exporters can normally make a claim on the ECGD for reimbursement for transfer delay after four months. In the case of Nigeria they cannot claim until after 12 months.

Creditors insured with one of the national export insurance agencies are being paid only interest on their long-overdue payments until Nigeria can persuade the agencies and banks to reschedule formally. Less than a third of the estimated $1.3bn of insured debt has been admitted.

Insured creditors — represented in the so-called "Paris Club"—are being treated as if formal rescheduling had taken place under an unusual arrangement reached last autumn. The Paris Club will not accept new paper until formal rescheduling.

Meanwhile the uninsured, owed collectively at least $4bn but probably more, are being issued with promissory notes, valid for six years and paying interest of 1 per cent over the London Interbank Offer Rate (Libor). By the end of last year only $1.5bn worth of promissory notes had been issued but anoiber $1bn was in the pipeline. The first repayment of principal is due in October this year.

The promissory notes can be sold to banks with the permission of the central bank of Nigeria, but will not be marketable until (and if) there is e rescheduling of the whole Nigerian debt.

For the moment, creditors appear stuck with the paper: the interest rate is too low and the volume too unpredicteble, they say. Only when Nigeria has committed itself to e rescheduling package, and the trade debts beve the same status as the medium-term loans will the promissory notes come into their own.

There is a further complication. The trede creditors may refuse to permit any rearrangement of Nigerian debt until they are satisfied with the reconciliation of the short-term claims.

The 160 bank staff deployed by Chase Manhattan to sort out the mess are due to finish work in May. The initial failure rate of claims was 83 per cent, and the deadline for resubmitting evidence was extended twice after creditors complained their claims were being rejected for trivial reasons — for example because one form gave the company's name with e "plc" after it while another had the older "Ltd."

"At the end of the day, there will be some bad debts and a lot of disappointed people," one Britisb official said.

A banker observed: "A lot of companies have lost a lot of money. The corollary is that the Nigerians will pay for it in higher import prices in the future."

**Nigeria's external trade by commodity**

Values in Nm

| | 1981 Imports (cif) | 1981 Exports (fob) | 1985 Imports (cif) | 1985 Exports (fob) |
|---|---|---|---|---|
| Food and live animals | 1,820.2 | 214.8 | 999.7 | 232.6 |
| Beverage and tobacco | 16.5 | 2.6 | 13.1 | — |
| Crude materials except fuels | 218.9 | 35.4 | 387.1 | 2.4 |
| Minerals, fuel, etc | 151.1 | 10,687.8 | 74.5 | 10,449.6 |
| Animal & vegetable oil, fats | 128.7 | 6.6 | 76.6 | 4.7 |
| Chemicals | 1,220.4 | 2.8 | 2,110.4 | — |
| Manufactured goods | 2,540.7 | 23.6 | 1,255.5 | 10.9 |
| Machinery and transport | 5,548.1 | — | 2,640.0 | 1.1 |
| Misc. manufactured articles | 947.7 | 0.3 | 283.3 | 0.4 |
| Commods. and transactions | 10.2 | 39.6 | 7.6 | 48.6 |
| Total | 12,602.5 | 11,013.5 | 7,852.8 | 10,749.6 |

Source: Federal Office of Statistics.

**Imports by end-use**

Values at current prices in Nm

| Item | 1981 Nm | 1981 % | 1985 Nm | 1985 % |
|---|---|---|---|---|
| Consumer goods: | | | | |
| Non-durable consumer goods | | | | |
| Food | 1,991.2 | 15.80 | 1,076.3 | 13.71 |
| Textiles | 201.6 | 1.60 | 79.1 | 1.00 |
| Others | 806.6 | 6.40 | 237.6 | 3.03 |
| Durable consumer goods | 655.3 | 5.20 | 558.1 | 7.11 |
| Sub-total | 3,654.7 | 29.00 | 1,951.1 | 24.85 |
| Capital goods: | | | | |
| Capital equipment | 2,596.1 | 20.60 | 2,253.8 | 28.70 |
| Transport equipment | 1,928.1 | 15.30 | 1,988.8 | 25.32 |
| Raw materials | 2,961.6 | 23.50 | 1,516.4 | 19.31 |
| Fuels | 151.1 | 1.20 | 74.6 | 0.95 |
| Sub-total | 7,636.9 | 60.60 | 5,833.6 | 74.28 |
| Passenger cars | 1,310.9 | 10.40 | 68.1 | 0.87 |
| Grand total | 12,602.5 | 100.00 | 7,852.8 | 100.00 |

Source: Government statistics.

**Exports of major commodities**

| Commodities | Quantity ('000 tonnes) 1983 | 1984 | 1985 | Value (Nm) 1983 | 1984 | 1985 |
|---|---|---|---|---|---|---|
| Cocoa beans | 108.8 | 125.3 | 137.8 | 381.2 | 220.9 | 208.5 |
| Other cocoa products | 18.1 | 16.2 | 16.4 | 19.1 | 22.2 | 24.1 |
| Palm kernels | 80.0 | 13.5 | 11.9 | 16.8 | 5.4 | 4.8 |
| Other palm kernel products | 18.0 | 2.0 | 8.4 | 8.6 | 1.0 | 4.2 |
| Rubber | 28.8 | 28.8 | 25.2 | 23.0 | 23.9 | 20.9 |
| Other non-agricultural commodities | — | — | — | 87.5 | 17.2 | 37.5 |
| Total non-oil exports | — | — | — | 536.2 | 290.6 | 300.0 |
| Crude oil exports (m barrels) | 335.8 | 394.6 | 430.7 | 7,201.2 | 8,840.6 | 10,449.6 |
| Total | — | — | — | 7,737.4 | 9,131.2 | 10,749.6 |

Source: Government statistics.

# Cutback in trade

CONTINUED FROM PAGE 1

right incentives—for example, abolition of corrupt and inefficient commodity Boards — Nigeria might be able to revive her traditional trade in groundnuts, palm oil and rubber. Other products, like soda ash, specialised wood veneers, cosmetics, tropical fruit and flowers, according to one leading industrialist, could also be marketed abroad.

The new Government is reluctantly prepared to engage again in barter trade as a way of overcoming its crippling lack of foreign exchange for imports. A committee—of whose members only one can be said to beve any relevant experience —has been set np to make sure that future counter-trade arrangements do not result in Nigerie paying over the odds for the goods she exchanges for oil.

The committee is supposed to renegotiate existing barter arrangements and sanction new ones. The parties most interested in this review are those companies involved in the vehicle-building business. Previous barter deals mainly involved the importation of assembly kits for Nigerian motor plants.

Already, the biggest company in Nigeria, the trading house UAC, has approached the committee in the hope of getting a countertrade arrangement going for its assembly plant of General Motors commercial vehicles at Apepa, near Lagos.

A number of London banks have been nosing round in the hope of putting together new barter deals around the priority project areas that the Babangida government identified in the budget. The British, in particular, are anxious to see e deal reached between the Nigerian government and UK companies—both to secure Britain's claim to be Nigeria's leading supplier, and as a sign of political goodwill following the recent souring of relations.

For conventional trade, bank credit is becoming increasingly hard to secure. French and American banks are becoming particularly reluctant to confirm letters of credit, according to businessmen in Lagos.

According to the terms of a 1983 refinancing, the banks are supposed to be maintaining the volume of their credit to Nigeria, but the credit lines are being revolved ever more slowly. Trade payments are delayed about 90 days at present, importers say. That compares with delays of np to six months last year.

Nigeria does not present an encouraging picture for any trader et present. Yet for those with the strength and persisteoce to whether the economic crisis, it must remain one of the most important markets in Africa.

A certain wry optimism is still to be found among the gloomy faces. As one long-established industrialist said of the Government: "They must pull through. After all, they've pretty well run out of bad solutions."

The face of big business: Chief Ernest Shonekan, who heads the nation's largest industrial conglomerate

# An amber light for resumption

## Counter-trade deals

PATTI WALDMEIR

NIGERIA HAS burned its fingers on counter-trade.

The plan, conceived as a method of tiding the country over a period of severe foreign exchange shortage and limited overseas credit and seized on by foreign companies and governments as a rare opportunity to get a foothold in black Africa's largest market counter-trade has proved a disappointmant.

But nearly six months after the military coup which brought Maj-Gen Ibrahim Babangida to power on a platform which included opposition to oil-swap deals, the government appears to have given the yellow light to a cautious resumption of the countar-trade negotiations which pre-occupied businessmen and foreign commercial attachas throughout tha first half of 1985.

The caution will not be misplaced. Between September 1984 and August last year, Nigeria's eager negotiators (some of whom have since been accused of gross corruption) concluded or agreed in principla some $1.6bn in swap deals which, according to an invastigating committee appointed by government, proved costly and in some cases impossible to operate.

Eveo before President Babangida announced the suspension of all such deals following tha August 27 coup, tha strategy was in trouble. A $500m counter-trade daal with the Paris-based trading house SCOA had collapsed in July and a naarly-completa $400m agreement with Fiat and ENI of Italy was put on ice as last summer's oil market slump made tha rigid price provisions of these agreements unworkable.

### Review ordered

Soon after taking power, Presideot Babangida launchad a comprehensive review of the strategy, appointing a committee of leading businessmao and academics to assess the terms of agreements involving Brazil, France, Austria and Italy (negotiated under the former military government of Maj-Gen Muhammadu Buhari), and to recommand what rola counter-trada should play in future.

The committee, whosa report was mainly kept secret, is understood to have sharply criticised the fact that deals were negotiated for the most part outsida astablished government channels, and that some goods imported under the agreements were over-priced.

A Government statement on the report speaks of "serious procedural irregularities," and notes "the agreements entered into lacked an appropriate framework and adequate institutional arrangements . . . for price surveillance, quality inspection, strict monitoring of shipments of both imports and oil exports, and management of escrow accounts."

But the report's final conclusion was a somewbat reluctant andorsement of the strategy. Given the severity of the economic crisis, the Government summed up as follows: "it would he difficult to fault the use of counter-trade as a short-tarm measure for national economic revival and sustained davalopmeot." Countar-trade would cootinue, albeit on a "selectiva basis."

Such deals would henceforth be aought to finance tha completion of priority projects such as the $2-3bn second phase of Nigeria's ambitious petrochemicals manufacturing programme, a $5-6bn liquafield natural gas scheme, and tha controversial $5bn Ajaokuta steel project, the largest in black Africa.

Imports of essential raw materials, macbinery and agricultural equipmeot would ba given priority over food and consumar goods; CKD (complėtaly knockad down) vehicle assembly kits would continue to be imported where their price could be verified as competitive; and attempts would be made to use crude to service some debts. (There appears to have been little success sof ar on this last objective).

As far as possible, agreements would be on a government-to-government basis which would cut out the trading company middlemen blamed by the committee for charging excessive margins; and swaps between Nigerian associate companies an dtheir foreign partners would be encouraged.

Four months after the committee presented its report, Nigeria's counter-trade strategy remains in limbo, and escrow accounts set up under the Austrian and Brazilian deals are understood to be swollen with several hundred million dollars in funds which cannot be spent until government anthorises goods to be imported.

Nonetheless, trade officials at several Western embassies in the capital are gearing up for a new negotiating season following tha appointment in January of a second review committee charged with renegotiating the old deals.

Tha committee, which is chaired by a prominent Lagos accountant and includes a journalist and a police commissioner, has been criticised for lacking members with oil market expertise, or experience of the complexities of countertrada negotiations.

The agreement which is most likely to survive tha committee's scrutiny (perhaps in renegotiated form) seems to be the following:

● A $500m agreement with Cotia of Brazil, the country's largest private trading house. Oil liftings under the deal have continued despite the withdrawal of import licences issued for goods to be supplied under the deal. It is understood that the counter-trade review committee found evidenca of over-pricing of goods brought in under this agreement in 1985, especially for items such as sugar and chemicals. Cotia denies this.

The fate of a $200m swap with Austria'a Voest Alpine Intertrading and another unnamed Austrian firm, and the $400m Italian counter-trade deal which was near conclusion just prior to the coup, remains uncertain. Tha $500m SCOA agreement, suspended in July after only about a third of the oil had been lifted, seems unlikely to be reactivated.

### More pressure

The pressure to reviva counter-trade can only increase in tha next few months as Nigeria enters the worst economic crisis of its post-independence bistory, facing the prospect of default on its medium and long-term debt servicing commitments and tha lowest level of overseas credit for many years.

There will be no shortage of counter-trade proposals to choose from (over 40 separate offers had been tabled in 1985), including eeveral from Britain, which has recently reversed its policy of opposing counter-trade and is understood to be willing to support hids by UK companies.

However, conditions in the world's crude oil markets have changed very substantially since these offers were made, as bas Nigeria's oil marketing approach and serious doubts must now arise over the wisdom of the counter-trade strategy.

Industry experts say that its *main original intention — to* enabla Nigeria to sell more oil by offering disguised price discounts under tha deals — was never achieved as most of the deals merely replaced existing long-term contracts (many of which would have been at the higher, official cruda price).

They argue that Nigeria no longer naeds to disguise such discounts: it is now openly offering oil at markat-linked prices, and the system of inviolabla official prices fostered hy Opec has all but collapsed.

Given these changes, it is difficult to see what, apart from vested interests, recommeods a strategy which has, over tha past year, had a serious impact on Nigeria's relations with some of its traditional trading partners.

# Stronger moves towards manufacturing

## Profile: UAC trading house

CHRISTIAN TYLER

CHIEF ERNEST SHONEKAN, not yet 50 years old, represents the Nigerian face of big business. He is both chairman and managing director of the country's biggest industrial conglomerate the trading house UAC of Nigeria, an associate of the Anglo-Dutch Unilever.

Chief Shonekan (the title is an honour conferred by paramount chiefs) knows personally most of the people who matter in Nigeria, including President Babangida. In one man, therefore, UAC has both a business asset and the protectiva coating that companies of foreign origin need today more than ever.

Yet the boss of UAC is no knee-jerk nationalist. He is unafraid to spell out what ha sees as the gravest weaknesses of government policy and administration. He bas called plainly for a proper devaluation of the naira at a tima wben that issue has become tha acid test of tha true Nigerian.

He has identified bureaucratic hungling and policy disincentives to business. His support for the process known as "Nigerianisation" (the promotion of nationals to take over tha running of companies and banks) is qualified.

"I'm trying to tell the Government that they do require *some expatriates*," he says: "The cultural cross-associations matter. At the moment I have Nigerians working in London, and one in Kenya. Besides, I am sure that coming to work in a difficult place like this makes a young manager into a man. At least 10 per cent of senior managment must be people from other parts of the world."

Shonekan has a British deputy, Hamish Mathers, and four of the other 12 directors are also British. They run a concern whose interests range from timber, packaging, food and confectionery through to commercial vehicia building (for General Motors), electrical goods, textiles, wholesaling and retailing, pharmaceuticals and farm machinery.

### Profits rise

In its latest full financial year to last September 30, the group saw its pre-tax profits rise from N65.9m to N69m, and after-tax profit was np from N30m to N38.6m. Turnover fell from N596m to N564m.

UAC's core businesses are motors, forestry, packaging and cosmetics, Shonekan says he describes tha company as "going through a kind of metamorphosis" as it continues to move away from trading and into manufacturing and processing.

Of trading he says: "I think it's gone, and gone forever. Tha attitude of people is changing fast. That's why I think the situation we find ourselves in is a blessing in disguise.

"We are thinking in terms of what we can no for ourselves — the things we can produce rather than import. Once we can get through this period, the attitude of people will have changed completely."

Ernest Shonekan was born and brought up in Lagos, although his family comes from the city of Abeokuta some 40 miles out. He was born into a family of six children; his father was a civil servant in the postal authority and his mother too was from a middle-class background.

He studied law at London University and the Middle Temple, was called to the bar, but continued his studies in Nigeria and joinad UAC, who sent him to the Harvard Business School.

"I learned quite a lot from my peers at Harvard," he says. "And with the improvement in world communications we continue to meet. It's a real 'old boy' network," he adds with a laugh.

Shonekan was sent out into the field hnt continued to see the law as his true metier. He was promoted to assistant legal adviser in 1967, three years after joining the company, and to depnty in 1974. He joined the board in 1976 and was appointed chairman in 1980.

"In the later years I felt I was being called upon, not to giva legal advice, but to maka commercial decisions," he reflects.

### Negotiations

These daya Shonekan spends a good daal of time negotiating with Government ministries—to obtain import licences, for example, or for approval for a counter-trada deal to keep the motor assembly plant going. He also travels widely through the country, since UAC has operations in all 19 states.

Unable to rely any longer on the free flow of imports, either to sell as finished products or for use in local manufacturing, UAC like others is having to concentrate more than ever on local sourcing. Shonekan has a number of acquisitions in mind.

"Quite a lot of companies are about to go under because they lack management or have a bad capital structure. Things are pretty dodgy for them," he says.

UAC will, in any case, spend around N35m over the next yaar in agriculture—returning, in fact, to a business it was forced to leave years ago.

"Wa have to move with the times; we shall have to produce most of our raw materials for ourselves," he adds.

When ba is not working, Chief Shonekan undertakes e number of other business and charitable functions, plays squash and swims for exercise. He also reads antobiographies. The man he most admires in history, ba says, is Charles de Gaulle. "He was a very stubborn man, who worked relentlessy for his country despite all the odds. When it appeared that all had been lost, he became the centre of resistance and peopla really rallied to him. How he was able to do it, especially in this part of the world . . . .

"One of the problems you have in this country is to get everyone to rally round a leadar. I am impressed by the way Charles de Gaulle did it, when the average man would probahly have given up."

And the preeent government of Nigeria?

"I know the government well. I've known Babangida for some time—our chemistry tallies. He wants to get everyone involved so that at the and of the day no ooa can accuse him of not consulting. But I think he probably also knows how to make up his mind."

Cargo is unloaded at the third wharf extension at Apapa Keys, Lagos. Corruption in the ports has been greatly reduced but there is still a lot of pilferage and bureaucracy remains a big headache, claim port-users.

# Security tightened up

## Problems in the Ports

PETER BLACKBURN

AMID THE perpetual bustle and confusion outside the entrance to Lagos Port Apapa Quays a throng of men and women cluster on a low wall clutching black plastic bags.

The men are intermediaries selling the market mammies rice, sugar, salt and other commodities pilfered from the docks.

"What happens is that a fork lift truck driver accidentally drops a pallet and there is always someone around to pick up the spilled contents," a port operator explains.

In the old boom days pirates used to board ships anchored in the roadsteads waiting to enter port. Now there are fewer vessels and more patrol boats so the pirates have changed their tactics.

The military have considerably tightened security and piracy has been mainly reduced to petty pilfering from land based operations. Plenty of problems remain, however.

"The military imposed extra layers of control making it even longer and more costly to clear goods out of the port," complains one clearing agent.

Imported goods are now checked by the army, navy and National Security Organisation in addition to the customs, police and the Nigerian Ports Authority (NPA).

With little or no co-ordination between the numerous security agents the net result in terms of "delays and dash" is probably negative, according to port-users.

The NPA management was not available for interview. However the chairman of the Nigerian Ports Consultative Council, Mr Val Usifoh, says that "port security has improved but there is still a lot of pilferage, including some by uniformed men."

He adds: "Corruption has been greatly reduced. If goods are imported, cleared and paid for correctly there is usually no problem."

Although large scale smuggling has decreased, disputes over tariff classification still leave much room for "financial compromise."

Bureaucracy remains a major headache, with the paperwork further complicated by the new 30 per cent import levy, according to port-users.

"It can take two weeks to complete all the paperwork and the NPA many months to issue the final bill," comments a clearing agent.

The import levy has resulted in containers and goods piling up on the quays of Apapa and Tin Can Island. Many importers, especially the smaller ones, have neither the funds nor the borrowing facilities to pay the levy. There was also confusion as to which goods are exempt.

### Backlog eases

The pile-up in shipments coincided with a surge in imports due to an extension of the shipment period to April 30 1986 for 1985 import licences with confirmed letters of credit.

In early February there were an estimated 5,500 bills of entry awaiting processing in the long-room at Apapa port and 4,500 containers stacked on the quays, according to shippers.

The backlog should be cleared by the end of February after which a lull is expected until May or June when another surge of imports is forecast after the issue of the first batch of 1986 import licences.

In early February the Apapa and Tin Can Island quays were almost empty and apart from some 500,000 tonnes of fertilisers and a few shipments of bulk food commodities little traffic is expected in the next couple of months.

"Imagine the chaos if the berths were full and ships were discharging on to the congested quays," comments one shipper.

The mid-1970s spectacle of dozens of cement ships anchored months outside Lagos port waiting to unload is now a faded memory. Instead, the sharp drop in imports since 1982 has hit shippers and forced them to rationalise services.

For instance, Ocean Transport and Trading recently acquired Palm Line from Unilever. The purchase did not include Palm Line vessels which have been withdrawn from the UK/West Africa Lines' (UKWAL) to the region.

Ocean, which owns Elder Dempster and Guinea Gulf Line, becomes the sole British member of UKWAL, the most important shipping conference serving the region.

The "peaks and troughs" of imports are a major problem for the NPA, shippers and clearing agents alike and to try to ease the problem the Government will issue import licences in three batches this year.

The peaks place a great strain on the NPA which since early 1984 has been responsible for all container handling operations. Fortunately, for much of the time, there has only been a trickle of imports but the periodic surges have caused chaos.

Apart from a management problem, an acute shortage of handling equipment in working order has added to the congestion.

"We pay the NPA for handling services which they are unable to provide and then we have to hire outside contractors to do the job," complains one port-user.

The shortage of handling equipment results in containers being blockstaged on the quays instead of being taken to the container terminal. It can take weeks to clear the stacks but the NPA starts charging rent after six weeks —"It's adding insult to injury," comments the user.

NPA's dire shortage of *foreign exchange means that it* has been unable to purchase new plant and equipment or even the spare tyres and fan belts needed for maintenance.

"It survives on a hand-to-mouth basis with barely enough cash to pay the salaries," says one port observer.

The situation could improve, however, as the result of a recent decision to make most of the port charges payable in foreign exchange instead of nairs. The charges cover harbour dues, towage, berthing, stevedoring and 10 other items.

The NPA cited "stark economic realities" and the fact that 70 per cent of its infrastructure has been financed offshore in explaining the decision. It pointed out that other West African ports in Ghana and Sierra Leone do likewise and that shipping freight is paid in hard currency.

### Outcome

The decision should yield the NPA "hundreds of millions of dollars annually," according to Mr Usifoh who is also chairman of the Shipping Trade Group.

"We agree in principle though there is a battle on implementation," he adds.

The shippers are concerned that the short notice given by the NPA could create a "chaotic situation" with ships building up in the roadsteads awaiting confirmation of payment and incurring demurrage and other charges.

More "delays and confusion" could result from the new payments procedures. Shippers also want clarification on "free out" shipments by which importers pay lower freight on wheat, salt, sugar and other bulk commodity cargoes as well as port charges in naira. If this is changed it could lead to an "acute shortage of badly needed raw materials and essential goods," warn the shippers.

Port-users also hope that the NPA will also use some of its new found foreign exchange revenue to improve port management and handling *facilities.*



# System cuts down on costly delays

## Profile: Inland Containers

PETER BLACKBURN

IMPORTERS BASED in northern Nigerie have for the past four years been able to avoid the frustration and costly delays at Lagos port by using the services offered by Inland Containers Nigeria Limited IC(N)L.

Containers are cleared by customs and shipping formalities dealt with at the company's inland depots in Kaduna and Kano thus making an agent in Lagos or a 1000 km trip down to the coast unnecessary.

All major shipping lines support the IC(N)L service and will issue a combined bill of lading. IC(N)L arraoges transfer of containers under customs bond immediately they are offloaded from the vessels at Lagos. IC(N)L then sends the containers direct by special block trains to its Kaduna and Kano depots.

Each depot can store over 1,000 containers and is equipped with machinery to handle units up to 40 feet in length and 31 tonnes gross weight.

IC(N)L, 60 per cent owned by the National Insurance Corporation of Nigeria (Nicon) aod 40 per cent by Ocean Transport and Trading, says it can clear *and rail containers from Lagos* port within four days whereas it takes up to 14 days normally.

Speed of service depends partly on the efficiency of the Nigerian Railways Corporation which has been affected by lack of funds for locomotives, rolling stock and track maintenance. Road hauliers have also had problems obtaining spare parts.

Imports during the past three years have averaged about half the 1980-82 level. But despite the sharp downturn IC(N)L has maintained the same volume of business since it started operating in 1982. It estimates that it oow carries about 70 per cent of the container traffic for Kaduna and 80 per cent for Kano.

Some 3,200 boxes were carried in 1982 but traffic slumped to 2,000 in 1984 mainly due to the military coup and the embargo on imports during the first quarter of that year.

Business recovered to 3,000 boxes last year partly due to the carryover of unused 1984 import licenses. It will probably fall again in 1986 due to an overall drop in imports.

Containers now carry mainly industrial raw materials and agricultural equipment and machinery for the River Basio Development Authorities and the agricultural development programmes. Four years ago there was a much higher proportion of consumer and commercial items carried.

The containers return to Lagos empty for the most part.

"We are trying hard to geoerate export cargoes from the north and bope that the export incentives provided in the budget will act as a stimulns," says IC(N)L general manager, Mr Simon Millington.

The best export prospects are seen to be agricultural products such as ginger, hides and skins and gum arabic. IC(N)L is hoping for customs approval to issue bills of lading for export cargoes at Kano and Kaduna with inspection at Lagos.

Export traffic would greatly improve IC(N)L's profitability bot its development on aoy significant scale is not seen as a short term prospect.

# Finer mesh filters fraud

TO SIFT through $7bn worth of a country's imports requires a big net and a fine mesh.

By all accounts, however, the three inspection agencies appointed by the Nigerian Government, one and a half years ago, have succeeded in plugging the worst holes and dammed the flood of fraudulent trade.

## Imports inspection

CHRISTIAN TYLER

The mesh has been drawn tighter still by the new Military Government—virtually all imports are subject to licence now, and some items are banned altogether. There are still loopholes, of course: the greater the regulation, the greater the ingenuity of those trying to beat the system.

The work of the inspection agencies is wrapped in secrecy, but the best estimate is that since taking over from the Swiss-based Societe Generale de Surveillance they have saved well over 5 per cent of the total value of imported merchandise at a cost of well under 1 per cent.

In the case of one agency, some 25,000 transactions worth about $3bn have been handled so far. At the start the agencies were deluged with work following the sudden cancellation of the SGS contract. Today, the pace is more leisurely, not least because import licences for 1986 are only now beginning to filter through.

The traffic is divided into three broad geographical areas. Exports from Britain, Ireland, the Middle East and Asia are monitored by Cotecna International, a Jersey-registered company whose majority owner is Cotecna Inspection S.A. of Geneva, with Daniel C. Griffith of the UK and Overseas Merchandise Inspection (OMIC) based in Tokyo.

Continental Europe and Africa are handled by the French company Bureau Veritas, and the Americas by Swede Control/Intertek.

Outside Nigeria, these companies' inspectors are responsible for checking goods both for quality and price; officers in Lagos cross-check the piles of forms necessary for each shipment, ensure that the goods are what the import licence says they are, and see that the value of foreign exchange to be released is not exceeded.

The last job will be complicated in future by the Government's decision that foreign exchange can only be released in quarterly instalments—a device designed to secure better control over the outflow.

Every quarter the agencies make confidential reports to the Ministry of Finance—reports that would make juicy reading since they describe the evasions and probably name the guilty traders. The Government runs a blacklist, but the penalties could be even greater. Snippets from these reports appear to be judiciously leaked to the Nigerian press from time to time.

If there is one obvious weakness in the screening system, it is that the import licences are still vaguely worded. To take a hypothetical example—could a container load of bicycles ostensibly for getting workers round a large factory floor be fairly described as "manufacturing plant and equipment"?

Another, less obvious, weakness is that the inspection agencies are concerned only with visible trade—covered by the foreign exchange release *form "M"—not* with invisibles—covered by a form "A". But in many contracts there is a large service, or consultancy element. Officials suspect that there is some over-charging in this area by foreign suppliers.

One of the main problem areas is pharmaceuticals, as in so many developing countries. Some unscrupulous suppliers will, for example, buy drugs cheaply in Eastern Europe, *re-label them with well-known* brand names and sell them at (or well above) the full brand price. Much of the re-labelling is said to be going on in Europe.

In other cases, drugs are shipped with only days left of their shelf life. Nigerian television last month highlighted this abuse, but encountered only blank denials. Exporters are likely to find from now on that unless medicines have at least half of their shelf life left they will not be accepted.

Occasionally, too, the fraudsters will repack pharmaceuticals, leaving only a fraction of the real drug behind and padding the shipment out with some placebo material.

Defining a fair price for a necessary import such as pharmaceuticals can be a tricky business. Suppliers may be able to obtain large discounts from the manufacturers in the US and Europe, but have to charge the full price in Nigeria. But if discounts are being granted, it is up to the inspectors to find out. What matters to them is the price paid in the country of manufacture, not the price charged after the product has been shipped round the world to various middlemen.

Overcharging—as a way of extracting extra foreign exchange remittances from Nigeria—still continues, especially among smaller traders. But the scope for cheating appears to be *narrowing all the time.*

There are other, less fraudulent dodges. For example, some importers try to beat the system by submitting their documentation in batches: paperwork for one set of parts is submitted one month, and for another set of parts the next.

The two sets of parts are instantly assembled on arrival to produce a finished consumer product for which an import *licence would never have* been available. When the retail margin is 500 per cent or more, as it is in Nigeria, the temptations are obvious, even if it takes time for the supplier to get his share of the profit out of the country.

### Smuggling

If beating the import licensing system is getting harder, so too is old-fashioned smuggling. Yet despite the closure of *Nigeria's borders*, the markets are awash with supposedly banned imports like American cigarettes and cigars. The smuggling goes on in both directions: goods in short supply because of import controls fetch enormous prices, while goods smuggled out can be sold for hard currency.

It was reported last year, for example, that several thousand Peugeot cars, assembled in Nigeria and destined for the Nigerian market, found their way across the border. So, too, did a 48-ton bulldozer.

The record of the new import inspectors is probably already being scrutinised by the Government. Their contracts are up for review at the end of September. Meanwhile, the agencies are fulfilling their own contractual commitment to "Nigerianisation."

# Scandal that lifted the lid

## The JMB affair

TERRY POVEY

WHEN IS a fraud not a fraud? When, as members of the City of London Police Fraud Squad point out, the acts complained of are against the laws of a foreign government but are not against UK laws.

Thus, evading Nigeria's foreign exchange controls is not an offence in the UK—although any forging of documents or borrowings undertaken in connection with such transactions would be.

Within Nigeria both the press and influential academics have called for a complete moratorium on trade debt payments to UK companies until an inquiry into the role of Johnson Matthey Bankers has been completed. While the official attitude remains mild by comparison, for Nigeria, with billions of dollars trapped in the payments pipeline and a complex political and economic situation at home, the JMB saga has become a welcome hook on which it can hang a large file marked "pending."

Given the political uncertainties of pursuing possible culprits in Nigeria, the JMB "scandal" has the added attraction of being firmly offshore. Most of the UK-based traders involved were dealing with fellow ethnic Indian Sindhis in Nigeria.

Furthermore, the Bank of England now accepts that it was a pukka City bank that financed some of the dubious transactions. A statement accompanying JMB's report and accounts for the 15-months to June 1985, says: "JMB itself has identified certain transactions by a few customers, apparently undertaken in some cases with the knowledge of the bank, designed to circumvent Nigerian exchange control."

JMB collapsed under a mountain of doubtful debts in September 1984 and was then rescued by the Bank of England in a £250m operation. Of JMB's £500m total outstanding loans and other commitments at the time of the rescue, some £120m concerned trade finance for Nigeria. Most of these debts were owed by small, poorly capitalised confirming houses—intermediaries in the dealings between Nigerian importers and UK suppliers—who had been allowed to roll over interest payments under the bank's former management.

Subsequently some £30m of this total exposure has been recovered or secured against acceptable assets. Against the outstanding £90m, the bank has made a provision of £60m — that is it has estimated that insurance claims and payments under rescheduling agreements will cover only a third of the outstanding debt.

The Bank of England-appointed board at JMB is being very cautious in its *handling* of JMB's Nigeria trade debts because of the initially unsympathetic response received from the Export Credits Guarantee Department, the government-backed agency which provides insurance cover for UK exporters. It is one of the ironies of the JMB affair that the bank finds its Nigeria related debts being treated in much the same way by both the ECGD and the Nigerian Government.

The ECGD is known to be taking a tough line on policies, and to be going through the small print, because the agency has made big losses in the last couple of years, with Nigeria featuring prominently on its problem countries list. It has already paid out £200m on Nigerian-related claims and expects to have to pay a further £200m. Although the hope is that most of this will eventually be recovered, the agency is "being as scrupulous in checking documentation on claims as its Nigerian counterparts involved in the great reconciliation exercise," said an official.

JMB's great lending expansion, from 1980 onwards, *coincided* with the Shehu Shagari years—during which Nigeria became a byword for corruption internationally. It is certain that Major-General Muhammed Buhari's overthrow of President Shagari in a coup on December 31 1983 was a major factor in sealing the fate of some of JMB's overextended borrowers, and 10 months later, of the bank itself.

The incoming military regime had an anti-corruption drive as a key element in its programme. With central government backing, the Nigerian Security Organisation made full use of its very wide powers to investigate and arrest suspects. Exchange controls existed throughout the Shagari period but the artful trader could find his way round them.

The most common form of exchange control evasion is over-invoicing, for which a compliant partner at the other end of the transaction is the norm. JMB's trade finance activities were almost solely on behalf of customers dealing with related persons or companies in Nigeria. Many of the Sindhi businessmen involved with JMB are part of international trading families, often financing transactions in London for goods from another part of the world to go to Nigeria. They also had ready access to a chain of small confirming houses in London and through such connections to channels for negotiating commercial bills.

There were some traders who clearly became overconfident given the easy pickings from overinvoicing. They took a radical step further and arranged the paperwork for entirely fictitious exports. One such deal involving JMB is now being investigated by the fraud squad.

Other cases involving JMB debtors and exchange control busting in Nigeria have also come partially to light.

The ECGD is also interested in the outcome of several of these investigations, as some of the exporters were insured with them. "Failure to declare a financial interest in the importing company could invalidate a claim," said an official. For while the ECGD will insure such cases it will not cover the importer's refusal or its ability to pay.

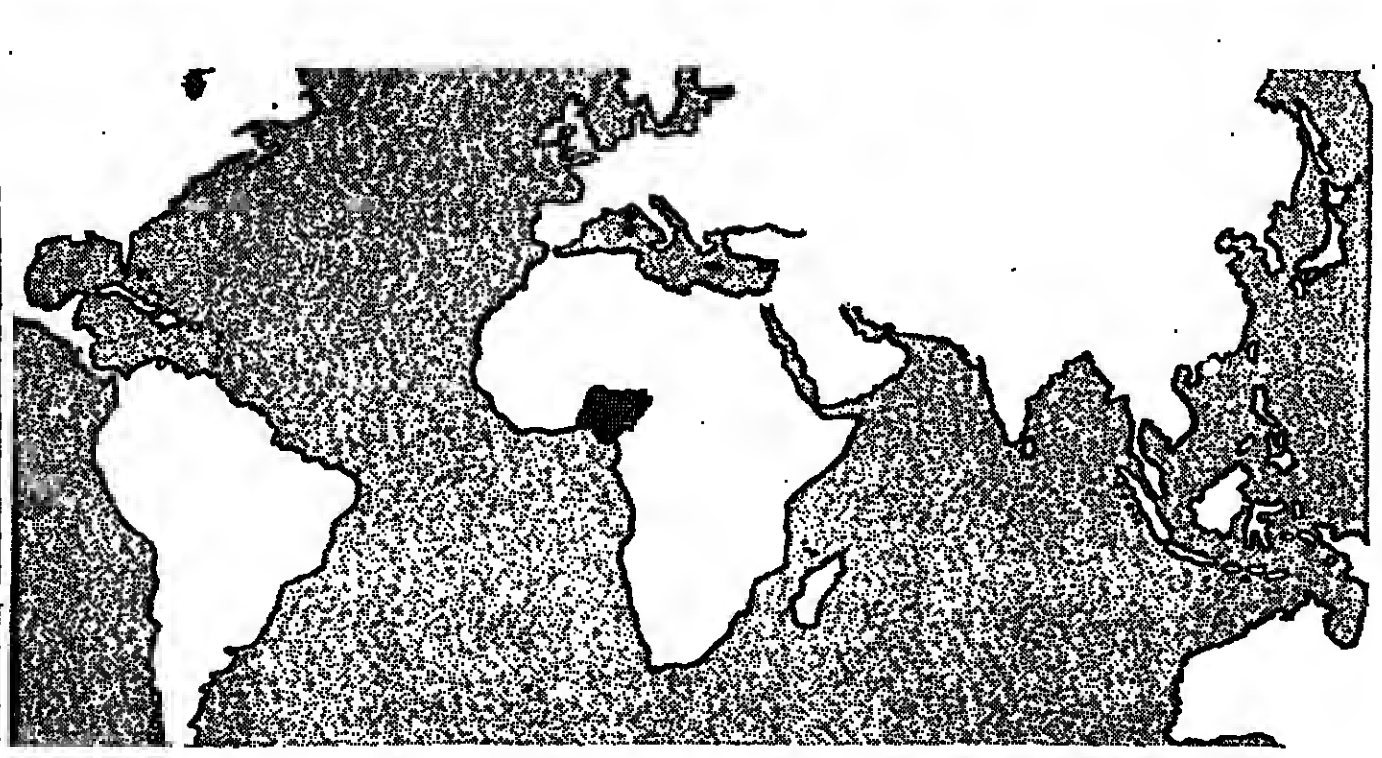
Since the coming to power of Major-General Ibrahim Babangida's regime in August 1985, the NSO anti-corruption campaign appears to have run out of some of its steam. One of the issues that led to his coup was the need to reform the NSO.

Along with many detained for other offences and released with the coming to power of the new regime were several businessmen held on foreign exchange charges, say fraud squad officers in London. Further, despite repeated statements of intent to crack down on fraudsters, the Nigerian authorities have refused one simple step that could at least have advanced co-operation on a couple of inquiries—namely they have not granted an entry visa for an officer from the City of London fraud squad to visit Nigeria.

The JMB debacle remains a sore for the Bank of England and others but the scale of its involvement in financing trade with Nigeria was small beer.

The authorities in both countries are concerned that, while the bulk of the trade between the countries is conducted on an open and honest basis, further damaging evidence of irregularities will emerge as the JMB investigation is pursued. Meanwhile, progress on reconciling claims from UK exporters is likely to remain slow.





Government launches new incentives to encourage oil output to reach maximum level

# Pricing policy becomes more aggressive

**THIS YEAR may well prove to be a watershed period for the Nigerian oil industry.**

As the Organisation of Petroleum Exporting Countries (Opec) — of which Nigeria is a member — has seen its ambition to be a price-fixing cartel founder on the rocks of its members' indiscipline, Nigeria has been thrown into the general melee and is being forced to adapt its crude oil marketing strategy to survive.

## The oil industry

PATTI WALDMEIR

The country's move towards more aggressive, market-related pricing of crude, which culminated with the introduction of new tax arrangements for the industry in January, will have come none too soon; Nigeria is teetering on the brink of a default on its medium and long-term external debt commitments, and boosting oil output in the face of disastrously low world market prices is absolutely critical to the country's short term future.

If output remains constant, every single US dollar drop in the world price of oil means a $400m cut in Nigeria's oil revenues, which provide 97 per cent of foreign exchange earnings. Projected at $8bn before the precipitate oil price fall of early this year, they were already less than a third of their peak 1980 levels of $25bn.

Government clearly hopes that, as a result of new "incentive" agreements signed in January with international oil companies producing in the country, production will climb swiftly to around maximum capacity levels of 1.8-1.9m barrels per day — although officials of the state oil company, the Nigerian National Petroleum Corporation (NNPC) demurely refuse to admit in public that they are willing to exceed their all-but-defunct OPEC output quota of 1.45m bpd, as indicated elsewhere in this survey.

Privately, NNPC is understood to have made it clear to its foreign joint venture partners that target output for the crucial first quarter of the year was to be around top capacity levels, but this is believed by the companies to be technically impossible; output in the first half of January was running at only about 1m bpd, and the new incentive agreements (which guarantee producers a profit margin of around $2/barrel) have yet to take full effect.

It seems unlikely that first quarter production, even according to the most optimistic scenario, could exceed 1.45m barrels.

While the extreme instability of the oil market makes predictions difficult, oil company executives in Lagos nonetheless say they believe output over the year could average around 1.5m bpd (last year's average was 1.4m bpd), provided— and here a more sombre note intrudes—that markets can be found for the additional volumes.

If this is achieved (and industry experts stress that it is by no means certain), it will have been the result of a fundamental shift in Nigeria's marketing strategy over the past year to 18 months.

Perhaps the first sign of a major change came with the conclusion in September 1984 of a $500m counter-trade agreement with Brazil. The deal, which was linked with an existing refining contract between NNPC and Petrobras, the Brazilian state oil company, may have involved a form of net-back pricing—a method which relates the price of crude to the market price of refined products.

Subsequently, three other oil-for-goods deals worth over $1bn were concluded or agreed in principle with France, Austria and Italy (they are described in more detail elsewhere in this survey). Different crude pricing formulas were used, but each involved an implied discount, in some cases quite substantial, to official prices.

The temptation is clearly strong to engage in oil-swap arrangements at a time when Western export credit cover for Nigeria is virtually unobtainable, and when banks are confirming letters of credit for the country's imports at their lowest level for many years.

### Questions

However, in assessing the wisdom of this policy for Nigeria, the key questions must be the following:

Did the deals (which have since been suspended pending the outcome of an investigation by the new Military Government) actually bring Lagos new customers for its crude?

Or did they simply replace previous contracts (many of which would have been at the higher official prices) with new, lower-priced sales?

Most industry experts appear to believe that the latter was indeed the case.

The new Government, which took power on a platform which included opposition to counter-trade, has since said it is committed to pursuing the policy on a "selective" basis, especially for funding certain priority projects where financing is proving difficult in the current credit climate. A committee headed by a prominent Lagos accountant has now been set up to determine which of the existing deals is to continue, and to renegotiate them where terms are believed to have been unfavourable to Nigeria.

Those businessmen and embassy officials who hope to conclude new counter-trade deals with Lagos say they expect all such deals in future to involve net-back—or at least, market-linked—pricing. Last year's $500m swap arrangement with SCOA, the Paris-based trading house, fell apart in July, when world market prices for crude plummeted, because the fixed discount offered under the deal was not large enough to match the sharp fall in spot market prices.

It was this summer slump in the spot market which precipitated what is likely to prove a much more important shift in the country's marketing strategy: the introduction of market-related pricing for crude lifted by international oil companies producing in Nigeria.

Negotiations over new incentive agreements with the oil companies — accords which establish the principle that government taxes and royalties should fluctuate with the realised price of the crude, rather than remaining fixed in relation to an artificially high official price—were given a new sense of urgency when crude output fell to around 1m bpd in July last year.

Saudi Arabia's decision in the autumn to boost its output by tying the selling price of the Kingdom's crude to the actual market value of the crude's refined products provided a further spur. The new deals were finally signed in January, on the heels of Opec's decision in December to abandon output restraint and fight for its share of a glutted market, which in turn led to a collapse in oil prices around the turn of the year.

Under the previous arrangement, producers were able to obtain Nigeria crude at a tax-paid cost which was $2/barrel below the government's official selling price ($28.65 in the case of Bonny light crude). If they on-sold the crude for less, they were losing money, hence the very sharp decline in production which hit Nigeria when market prices were low.

The revised deals guarantee producers a profit margin in the region of $2/barrel (although the actual figure will vary from company to company, as any producer whose costs exceed $2 per barrel must finance the excess from his profit margin).

The aim is two-fold: to encourage maximum production during periods when world demand for oil is low; and to reverse a worrying decline in Nigeria's technical capacity by stimulating investment in exploration and development activities.

Most oil company executives appear to believe that the first objective is more likely to be achieved than the second (although some experts say that even this may not be feasible, noting the possibility that parent companies in Europe and America may rein in the output of their Nigerian associates because of the sheer physical difficulty of placing such large quantities of crude).

Whatever the eventual impact on production, the agreements clearly represent a fundamental change in the role of NNPC, especially as regards marketing. They involve an undertaking by the joint venture partners that they will lift unsold quantities of NNPC's own equity crude, thus turning over responsibility for marketing a potentially large amount of Nigeria's own share of output to the so-called "seven sisters," the world's major oil companies.

The first step in this direction was taken in 1984 with the signature of so-called "participation agreements" which authorised the equity partners to lift some NNPC crude, but under less advantageous conditions.

The returns per barrel will be less, as NNPC will be required to reimburse the companies for production costs. But at a time when the general free-for-all of overproduction has made markets more intensely competitive than ever before, Nigeria may do well to both tap into the extensive marketing channels commanded by the companies, and to capitalise on their more aggressive marketing approach.

### Lost sales

According to one executive of a major company, NNPC's mere bureaucratic approach, which requires ministerial approval for many decisions, may have lost the country sales of up to 25m barrels in the past 3-4 months, as NNPC has been slow to respond to sharp movements in the oil markets.

The effect of these changes must be to leave the traditional third-party buyer somewhat out in the cold. It seems likely that such customers will be bringing significant pressure to bear on NNPC to improve the terms of their agreements as well.

The coming year will clearly demand a great degree of flexibility in the corporation's decision-making to meet the challenge of rapidly-changing market conditions. Towards this end, say officials, NNPC is undergoing a massive reorganisation of its operations with the aim of creating more efficient, semi-autonomous units, which would eventually become independent subsidiaries.

In the short-term, though, the reorganisation has meant major upheavals as some of NNPC's newly-created "sectors" move to new headquarters in other state capitals as part of a decentralisation drive. Many senior members of staff have been retired.

NNPC is entering 1986 with new men in each of the top three posts of Minister of Petroleum Resources, Permanent Secretary and Managing Director of NNPC. The coming months will no doubt pose a tough challenge to all three, and especially to the recently-appointed Minister, Alhaji Rilwanu Lukman, who commanded great respect in his former post as Minister of Mines, Power and Steel.

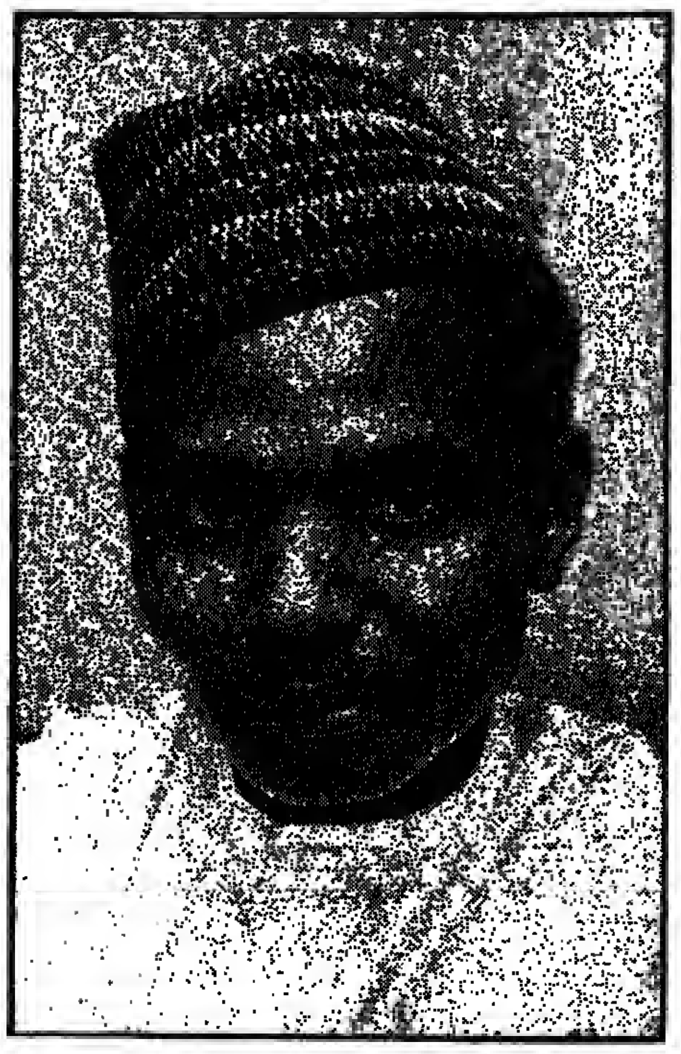
**Nigeria's oil production in million barrels a day**

| | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| January | 2.0 | 2.0 | 2.2 | 1.6 | 2.4 | 2.2 | 2.1 | 1.8 | 0.8 | 1.4 | 1.4 |
| February | 1.8 | 2.1 | 2.2 | 1.6 | 2.4 | 2.1 | 1.9 | 1.4 | 0.7 | 1.5 | 1.7 |
| March | 1.7 | 2.0 | 2.3 | 1.5 | 2.4 | 2.3 | 1.9 | 0.9 | 0.9 | 1.6 | 1.7 |
| April | 1.6 | 2.1 | 2.3 | 1.7 | 2.4 | 2.2 | 1.6 | 0.9 | 1.2 | 1.4 | 1.6 |
| May | 1.5 | 2.1 | 2.2 | 1.7 | 2.4 | 2.1 | 1.3 | 1.3 | 1.6 | 1.2 | 1.4 |
| June | 1.6 | 2.1 | 2.2 | 1.9 | 2.4 | 2.2 | 1.4 | 1.6 | 1.5 | 1.3 | 1.2 |
| July | 1.6 | 2.0 | 2.1 | 1.9 | 2.4 | 2.1 | 0.8 | 1.3 | 1.7 | 1.1 | 1.0 |
| August | 1.8 | 1.9 | 2.0 | 2.1 | 2.2 | 2.0 | 0.7 | 1.1 | 1.3 | 1.1 | 1.3 |
| September | 1.9 | 2.0 | 2.0 | 2.1 | 2.1 | 1.6 | 1.1 | 1.2 | 1.2 | 1.4 | 1.5 |
| October | 1.9 | 2.1 | 2.0 | 2.1 | 2.1 | 1.9 | 1.3 | 1.6 | 1.3 | 1.4 | 0.7 |
| November | 2.0 | 2.2 | 1.9 | 2.3 | 2.2 | 2.1 | 1.6 | 1.4 | 1.3 | 1.5 | 1.8 |
| December | 2.0 | 2.2 | 1.9 | 2.4 | 2.2 | 2.0 | 1.8 | 1.2 | 1.3 | 1.7 | 1.7 |
| Year's average | 1.8 | 2.1 | 2.1 | 1.9 | 2.3 | 2.1 | 1.5 | 1.3 | 1.2 | 1.4 | 1.4 |

Source: FT estimates



"Until the market stabilises, you can't really talk too confidently about oil quotas," says the Nigerian Oil Minister.



Alhaji Rilwanu Lukman (above), Minister for Petroleum Resources, believes that Nigeria could eventually produce 2m barrels of oil a day for five years, without any further exploration

## Interview with Oil Minister

PATTI WALDMEIR

**QUESTION: How will Nigeria react to the current slump in the world market price of oil?**

A: Our position will be dictated by the situation. It will very much depend on what the Opec countries as a group decide to do. They will need to act together to try to stabilise the market somehow.

**Q: For the moment, are you pursuing a policy of maximum production?**

A: We are doing our utmost to ensure that we sell our quota (1.45m bpd).

**Q: Do you expect soon to increase your output to your maximum technical capacity of around 1.8m bpd?**

A: You have to look at it from a long-term point of view. We have a quota and we try to keep to it. If you lift what you are allowed there will be periods when you lift somewhat more and periods when you lift somewhat less.

But you can't really talk in terms of quotas any more. The Opec countries have decided that they will try to maximise their own share of the market. Until the market stabilises and we have decided what we are going to do you can't really talk too confidently about quotas.

**Q: Would Nigeria consider following a policy of restraint of production if that were the majority view at an Opec meeting?**

A: We would take such action that we believed to be in the best interests of the group as a whole and also in our national interest. That's why we are members of Opec.

**Q: Has there been any contact between Nigeria and Britain over the oil price situation?**

A: I believe not. But if the British are interested in getting together, we would certainly welcome an opportunity to do so.

**Q: You have recently concluded "incentive agreements" with oil companies operating in Nigeria which guarantee the companies a profit margin of around $2 a barrel if the oil price holds in the mid-$20 a barrel range. Given the collapse in prices immediately after the agreements were signed in January, will you now need to renegotiate them?**

A: In view of the current situation we may have to review what we have agreed to make sure it is interesting to both sides.

**Q: What would you say is your technical production capacity at the moment and for how long could you maintain output at that level?**

A: We could get to 1.8m b/d right away, and we could reach 2m b/d within three months. We could produce at 2m b/d for five years without any further exploration.

**Q: You have recently concluded a $1.5bn "net-back" deal involving the International Bank for Credit and Commerce. What is your policy on net-back pricing of your oil?**

A: We are taking such steps as are reasonable within the current situation. We will ensure that at least our share of the market is maintained.

**Q: Now that you have accepted the principle of market-related pricing with respect to your equity partners in Nigeria, do you expect to come under pressure from third-party customers to give them a similar discount?**

A: We have oil to sell and we are not the only ones selling oil. As to third-party buyers, we will have to make it worth their while, provided we do not lose in the process.

**Q: What is your view on counter-trade?**

A: It is one of the options open to us for the financing of our capital projects. It's an option that we should not brush aside lightly.

**Q: Are there any counter-trade deals operating at the moment?**

A: The Brazilians are still lifting oil and the account is being credited with the value of the sales, but no goods are being imported. The shipment of goods has been suspended until the (recently formed) committee on counter-trade reports and we know which deals are going to continue.

**Q: What do you see as the role of Opec at the moment? Are you committed to remaining a member?**

A: We are members of Opec, which has been sacrificing its own production to keep the market stable. Non-Opec countries have been taking advantage of it and pumping plenty of oil and then allowing Opec to stabilise the market.

I think the time has now come for both Opec and non-Opec countries to get together and stabilise the market. Perhaps some meeting of minds is called for to get some sanity into the market.

# Incentives to boost proven reserves

## Oil exploration and output

PATTI WALDMEIR

AFTER NEARLY a year of negotiations, the Nigerian National Petroleum Corporation (NNPC) has offered its foreign joint venture partners incentives to step up their exploration and development activities in an attempt to reverse a serious decline in the country's technical crude oil production capacity and to boost proven reserves.

Technical capacity has fallen sharply from around 2.5m barrels per day (bpd) at the height of the oil boom in the late 1970s, to a maximum of 1.8-1.9m bpd now at export quotas and poor market conditions have discouraged new investment on the part of the oil companies, and as NNPC has found it more and more difficult to meet its majority share of spending on maintenance and development.

With oil currently accounting for some 97 per cent of export earnings — and no other major export earner appearing on the near-term horizon — industry officials argue that it is critical that the decline be stopped.

Failure to do so would clearly hamper Nigeria in any attempt to offset a drop in the market price of crude by boosting production, a strategy which the country can hardly avoid adopting given the pressing nature of its external debt servicing commitment and the already very low level of imports.

Oil company executives estimate, however, that under current conditions, Nigeria could not sustain production at levels higher than 1.5 or 1.6m bpd; while 1.8 to 1.9m is the industry's theatrical capacity on a daily basis, in the words of one executive "the whole system begins to creak at around 1.7"

NNPC's new managing director, Mr G. A. Adams, disputes this view, arguing that it would indeed be possible to sustain output at the higher levels, adding that production could be boosted to a sustainable level of 2.0m bpd within three months, given an unspecified amount of development spending.

As regards the longer-term, Mr Adams points to undertakings about investment activity made by NNPC's equity partners under the new "incentive" agreements concluded in January this year, as indicated elsewhere in this survey.

"They have committed themselves to a certain programme (of exploration and development activities), and they must complete this programme," he told the Financial Times in an interview.

Oil company executives in Lagos prefer to say they have an "understanding" on a five-year programme of investment activities in the fields of exploration development gas utilisation and enhanced oil recovery (among other areas).

Most say that they have gone further in these programmes than they would have done had government not offered them new incentives (in the form of a guaranteed profit margin on production of about $2 per barrel); but few will admit to any major new undertakings.

It is understood that, if fully implemented, the programmes outlined by individual companies in their separate accords with NNPC would succeed in maintaining, or perhaps slightly increasing, the current level of technical capacity.

Given the heavy demands now being placed on the revenues of NNPC by Nigeria's debt crisis (export revenues are projected at $8bn for 1986, less than a third of their 1980 levels of $25bn, while external debt service has risen to unprecedented levels) the crucial question must remain whether the Corporation can meet its share of programmed spending (60 per cent in the case of most producers, and 80 per cent in the case of the larges producer, Shell).

Consistent shortfalls in Government spending on maintenance and development have been a major cause of the decline in technical capacity which has hit the industry in the 1980s.

As regards exploratien and development spending, NNPC figures show that the total industry budget has fallen from N560m in 1983 to N300m in 1985, while actual spending last year (N112m) did not even cover half of the budgeted target. This year's E & D budget of N409m has begun to look decidedly optimistic, especially following the precipitate fall in oil prices since the biginning of the year, and NNPC officials say it may need to be revised.

"That is the only realistic position to take, if prices continue at their current low levels," says Mr Adams.

He says NNPC's policy is to maintain proven reserves (which would last some 25-30 years at capacity levels of production, according to NNPC estimates) at a constant level by replacing exploited reserves with new discoveries on an annual basis (although he concedes that this target was not met in 1985).

The consensus view among industry experts seems to be that Nigeria remains an area of very high future potential.

According to a recent report by a group of leading oil consultants, it can be expected that several large oil fields, as well as many smaller fields, will be discovered in the Niger delta over the next 10 years — provided that the market situation gives an impetus to investment in oxploration, and if NNPC can shoulder its share of tha costs.

Oilman on the Shell Belle Isle rig in Bendel State

# Delays plague massive scheme

NIGERIA'S planned $5-6bn liquefied natural gas (LNG) project at Bonny, near Port Harcourt, has long been regarded as the country's best hope for reducing its dangerous dependence on crude oil for over 95 per cent of export earnings.

But some 20 years after the first tentative discussions of a major LNG export project began in the mid-1960s, important doubts remain over whether such a project can be viable, and when, if ever, work can begin.

Government has stated repeatedly in recent months that it intends to push ahead with a scaled-down version of the massive $14bn project envisaged at the end of the 1970s. The original six train (processing unit) plant is to be reduced to a two-train project capable of producing some 3m tonnes of LNG per year, with the cost falling as a result to between $5bn and $6bn.

Last November, a "framework" agreement for the project was reached between the Nigerian National Petroleum Corp (NNPC), the state oil company, and its private sector partners Shell Petroleum Development Company of Nigeria, Nigerian Agip Oil Company and Elf Nigeria. Shell is to be the technical leader.

Under the agreement, NNPC will hold the majority 60 per cent stake in the project, with Shell taking 20 per cent and Agip and Elf 10 per cent each.

A marketing team has been established and preliminary approaches have been made to gas companies in Western Europe, likely to provide the best eventual market for Nigerian gas. Some of the participants have described the initial response as positive whilo others havo categorised it as "not altogether negative" — reflecting the

## Liquefied natural gas project

PATTI WALDMEIR

difficulties which Nigeria faces in trying to encourage European customers to commit themselves to 20-year contracts in the face of a glutted market and serious doubts over the country's ability to produce the goods.

This last factor may well prove the more important: officials close to the negotiations admit that credibility is a major problem. The project has o long history of delays and false starts, with successive governments lacking both the nerve and the feresight to embark on tha multi-billion dollar scheme. Twe military coups in the past 26 months will not have improved Nigeria's imaga as a reliable supplier.

Government missed its chance in 1980, when the now-defunct Bonny LNG Company (formed by NNPC, Shell and BP) signed a letter of intent with a European consortium for the sale of half of the original, $14bn project's output for 20 years, and an option to take the balance if no other buyers could be found.

Winning firm commitments for long-term contracts now is likely to prove more difficult, as Nigerian gas will be competing in the European market with Norway, with the Soviet Union's abundant supplies, and with Algeria, whose LNG facilities are operating at well below capacity.

Only after the market problem has been solved can the final go-ahead be given to arrange the huge financial package needed to get the venture off the ground. It is understood that commercial bank funding would be sought for some 75 per cent of the project cost, while NNPC has said that it intends to allocate the proceeds of exports of some 15,000 barrels per day to go towards financing it.

Whatever the scepticism with which outsiders may view the project, government says it is determined to use its massive, and largely untapped, reservoir of natural gas — the country's richest natural resource — to boost export earnings. With some 85 trillion (million million) cubic feet of proven gas reserves, and perhaps a further 65 trillion estimated to remain in undiscovered recoverable reserves, the potential is clearly enormous.

Domestic use of gas will win a big boost if the $943m Escravos-Lagos gas pipeline finally goes ahead. The project would reduce Nigeria's gas flaring by 10 per cent according to the World Bank, which has offered a $250m loan. It is currently stalled over financing problems and may have to be redesigned to reduce the overall cost.

# Project to go ahead at last

## Plans for new oil refinery

PATTI WALDMEIR

NIGERIA'S plans for a fourth oil refinery, on ice for ever a year because of difficulties in arranging external finance, look set to go ahead soon following signs that the French Government is willing to guarantee a FFr 2bn export credit for the project.

The $500m refinery, to be situated at Alesa-Eleme near Port Harcourt, is considered essential to reduce the country's dependence on imported petroleum products. Progress on the scheme has been held up since commercial contracts were signed in Fobruary 1985 because of complex and protracted negotiations to arrange offshore finance.

Signature of a loan agreement is now imminent, according to Mr G. A. Adams, managing director of the state oil company, the Nigerian National Petroleum Corporation (NNPC) who predicts that France's export credit agency, COFACE, will have agreed to extend cover for the project by the time this survey is published.

A decision by COFACE to guarantee the FFr 2bn portion of the offshore finanance for the refinery, to be built by a Franco-Japanese consortium, is likely to provide deep concern among other Western export credit agencies, especially Britain's Export Credits Guarantee Department (ECGD).

It will be seen as a breaking of ranks with the other export agencies which have suspended medium and long-term cover for Nigeria because of the country'a accumulation of some $2bn in arrears on insured short term trade debts since tho early 1980s.

An informal understanding bas existed between tho agencies that no new guarantees would be extended to Nigeria until it agrees on an economic adjustment programme with the International Monetary Fund (IMF). Such a deal would pave the way for the reschedul-ing of the insured trade arrears, and to the resumption of export insurance cover for Nigeria.

France is understood to have told its Western partners that COFACE bad agreed in principla as far back as 1983 to guarantee an export credit for the project, and that any move to finalise this agreement now should not be seen as a breach of the agencies' united front on the IMF issue.

British officials are understood, however, to take a serious view of the expected action by the French, who have made major inroads into the Nigerian market in recent years, especially in the severely depressed construction sector.

But France is clearly anxious to use the credit to boost its exports to Nigeria in the coming year. Exports fell off sharply in 1985 to around FFr 5bn from FFr 8bn tho previous year, largely as a result of the loss to Brazil of a substantial portion of France's FFr 1bn annual sugar sales to Nigeria, and because of the failure of a $500m French counter-trade agreement to get off the ground.

Industry officials stress that, although some barriers to agreement on the offshore finance remain and could prolong the delay, they feel relatively confident that a solution will be reached soon.

Japan's Y61.4bn portion of the external funding was agreed last November, to be provided through a credit from Japan'a Export-Import Bank for some 60-70 per cent of the total, and a Japanese government guarantee of a supplier's credit (arranged by Marubeni of Japan) for the balance.

According to Mr Adams, the NNPC managing director, the corporatien will commit a certain amount of its crude production to cover NNPC's own 15 per cent down payment for the schemo. Tho consortium, which is led by JGC of Japan (for the process technology) and France's Spie Batignolles (for the civil works) will he responsible for either purchasing the oil themselves, or finding an alternative buyer, say NNPC officials.

If the French funding is agreed within the month, the project could be expected to come onstream by June 1988, says Mr Adams. It will comprise the extension of the existing Port Harcourt refinery, and will add additional processing capacity of some 150,000 bpd.

The refinery will clearly laad to major foreign exchange savings for Nigeria, which currently pays to have some 50,000 hpd of its output processed ahroad (formerly in Brazil, now in France and tha US). It will increase the country's technical refining capacity by obout half, and will add around 70 per cent to overall operating capacity.

Originally designed to meet only local needs (consumption was rising at around 18 per cent a year in the early 1980s), NNPC now projects that it will be able to export petroleum products when the project comes onstream, dua to a decline in local consumption (now put at under 200,000 bpd) because of cuts in petroleum price subsidies, curbs on smuggling and the low level of economic activity in the country.

### Oil refineries

● Existing oil refineries:

| | Operating capacity b/d | Technical capacity h/d |
|---|---|---|
| Port Harcourt | 60,000 | 60,000 |
| Warri | 85,000 | 100,000 |
| Kaduna | 73,000 | 100,000 |

● Refineries' output (maximum prodnction of refined products from existing facilities and planned output from fourth refinery (tonnes/year)):

| | Existing refineries | Fourth refinery |
|---|---|---|
| Liquefied petroleum gas | 280,000 | 123,000 |
| Gasoline | 2,830,000 | 2,780,000 |
| Kerosene | 1,550,000 | 930,000 |
| Diesel | 2,960,000 | 820,000 |
| Fuel oil | 1,430,000 | 2,350,000 |
| Total | 9,050,000 | 7,003,000 |

Source: NNPC.

# Producers applaud new deal

## The new oil agreements

PATTI WALDMEIR

THE CONCLUSION in January this year of so-called "incentive" agreements between NNPC and oil companies producing in Nigeria has introdnced a crucial element of market-sensitivity to the pricing of Nigerian crude.

Formerly, the Government's "take" of taxes and royalties from its equity partners was fixed in relation to a notional "posted" price which was above NNPC's official selling price (currently $28.65 per barrel for Bonny light crude), and was not responsive to price movements in the market.

Both production costs ($2/bbl is the allowablo deduction) and the government take were rigidly fixed, so any drop in spot market prices impacted wholly on the company's profit margin. If the market price fell below around $26.50 or $27 per barrel, most of the producers saw their profit margin wiped out altogether.

This arrangement had disastrous consequences for production at the end of last summer when a slump in world demand pushed Bonny light prices down.

Unwilling to operate at a loss, the equity partners cut liftings sharply and output fell to around 1m barrels per day (bpd) in July.

The shock of such a precipitous declinc appeared to bring about a new sense of urgency in negotiations on the incentive agreements, which took most of 1985 to complete.

The result was an arrangement which has been widely praised by producing companies, involving a complex formula which allows government take to fluctuate according to tha level of realised prices.

Under the new system, Government will absorb (in the form of reduced taxes and royalties) 90 per cent of any fall in the market price of oil below official levels, with the equity producers absorbing the remaining 10 per cent.

The bottom line is that tha Government has ogreed to guarantee the companies a profit margin in the region of $2/bbl (although this is largely a theoretical figure as it assumes production costs of no more than $2/bbl, while companies producing offshore say their costs are closer to $2.50/bbl).

According to one estimate by an industry executive, the overage company profit margin over the past five years has not been much more than $1/bbl, which explains the companies' enthusiasm for the new deal.

NNPC has had to move quickly to maintain this guaranteed margin, however. Within days of the signature of the agreements (which were drawn up individually, company by company), oil prices plummetted to new lows of as little as $16/bbl, eroding the $2 margin which had been calculated to operate within o range of pricea from $28 down to $23 per barrel.

According to NNPC managing director, Mr G. A. Adams, the agreements bave since been revised to yield a margin of around $2/bbl for prices as low as $15/bbl.

Tha aim of tha new agreement is two-fold: to allow Nigeria to compete in a glntted market, and thus guarantee maximum production; and to encourage increased exploration and development activity to reverse a serious decline in Nigeria's technical production capacity.

NNPC and the companies quibble over whether the agreements involve a "commitment," or only an "understanding" as regards liftings and long-term investments—a situation which has led some informed observers to doubt the efficacy of the accords.

Most production executives appear to believe that the new deal could hava a major impact on output over the next year, making it possihle that prodoction will average around 1.5m bpd.

The new accord will encourage companies to lift their own equity crude entitlements, and it will also require them to lift a specified quantity of NNPC's share of ontput.

They will be notified in advance of NNPC's planned liftings in any quarter (the so-called "base" volume); when this base volume falls short of the Corporation's total entitlement, the companies will he responsible for lifting the balance, or "notice" volume. Failure to do so will attract a penalty.

But the overall level of output will of course depend on whether markets can be found for tha additienal volumes—many industry experts say they are sceptical.

The longer-term impact of the accords on the current low level of exploration and development activity is more difficult to assess. Each company was required to detail a five-year investment programme—outlining planned activities in the fields of exploration, development, gas utilisation and enhanced oil recovery, among other areas—before the new deal could be agreed. Bnt as NNPC must cover 60 per cent of the cost of such investments as majority partner (80 per cent in the ease of Shell, the largest producer), the current low level of the corporation's revenues could well jeopardise the overall programme.

President Babangida's 1986 budget includes an impressive array of measures aimed at tipping the incentive balance in favour of agriculture, as **Patti Waldmeir** reports here

# The reluctant revolution

**MORE THAN a decade after the first of a succession of Nigerian governments all declared a commitment to reviving agriculture as a top priority, the country is still awaiting its "Green Revolution."**

Much fanfare has surrounded the launch of campaign after campaign aimed at achieving food self-sufficiency through increased production. Spruced up with new titles every few years—from the "Operation Feed the Nation" programme of the 1970s to former President Shagari's "Green Revolution" drive of the early 1980s—the various programmes nonetheless have failed to halt the worrying decline in per capita agricultural production which is one of the most critical problems facing Nigeria today.

*Exhortation* has, in many cases, taken the place of concrete measures to improve agricultural incentives. It has largely been ignored and agriculture has continued to decline with per capita output falling an estimated 20 per cent since the late 1970s.

President Babangida's 1986 budget, which is firmly based on the principle of agriculture-led development, outlines an impressive array of measures (see box) aimed at tipping the incentive balance in favour of agriculture for the first time in many years.

Its broad policy thrust—state intervention in agriculture is to be limited; a more realistic exchange rate is to be introduced (to boost exports and relieve competition from artificially cheap food imports); imports of some major agricultural items are banned; more emphasis is to be placed on assisting smallholder farmers—has been welcomed by agricultural experts, both Nigerian and foreign.

However, they temper their praise with concern over the Government's ability to move quickly to implement the barrage of measures announced on January 1; two months into the new year, the naira is still being held at parity with the dollar (it trades at only a fifth this value on the black market), and *details of other reforms* have yet to emerge.

Ironically, the level of agricultural activity in the country over the past two years has had less to do with the direction of government *policy* than with the simple economic facts of life in a country which is experiencing its worst-ever economic crisis.

The sharp reductions in agricultural imports which have been forced on government by a severe shortage of foreign exchange (imports fell to around $1bn last year from a peak of $3.2bn in 1981) have caused large increases in food prices which have improved farm profitability.

Massive retrenchment has sent large numbers of urban dwellers back to the land as survival in the city has become increasingly difficult. And shortages of imported raw materials have sent virtually every major agro-allied company in the country searching for ways to reduce import dependence by producing some of their materials locally.

There are tentative signs that agriculture may be emerging from the doldrums of the past decade; nonetheless, shifting the balance in the economy away from excessive dependence on oil exports, and on import-fed industry, cannot be achieved by the force of austerity alone.

The agricultural base of the economy has been eroded by years of neglect, and the mismanagement of massive sums of money committed to agricultural development.

The agricultural export industry, which once earned 70 per cent of Nigeria's foreign exchange, has virtually collapsed — it now accounts for only 3 per cent of export receipts — and the only remaining major earner, cocoa, continues in a downward spiral (the *problems of the industry* are discussed elsewhere in this survey).

Government services to farmers are woefully inefficient in many areas, with credit unobtainable for the majority of small farmers, extension services seriously hampered by a lack of transport, and input *supply* erratic and unreliable. Improved seed varieties developed by the International Institute of Tropical Agriculture in Ibadan, Nigeria — varieties which show dramatic increases in yields for crops like cowpeas, maize and cassava — have been made available to only a small percentage of farmers.

## High costs

The high cost of inputs and labour (the average farm wage in Nigeria is estimated to be three to five times the wage paid in comparable developing countries), and the major losses sustained because of lack of *storage and processing capacity*, make Nigerian farmers very high-cost producers.

Despite this catalogue of weaknesses, President Babangida's Government is still projecting self-sufficiency in most major foods within two years, and an increase in non-oil export earnings, primarily agricultural, from $400m in 1985 to some $1.5bn this year.

The focus of his Government's agricultural efforts are in the following areas:

● **Import substitution:** producing food or agricultural raw materials locally has become a political imperative for most large trading and manufacturing companies in Nigeria. The beverage industry is taking steps towards substituting maize fructose for some imported sugar, and maize or sorghum for a portion of the barley malt used in beer manufacture; the milling industry is to substitute some other grains for wheat in flour production.

Each of the major trading houses plans major investments in agriculture over the next few years; and even the oil companies, are getting in on the act in an attempt to show goodwill towards Nigeria and concern for its problems.

The Government has made it clear that investment in agriculture *is an essential pre-condition* for firms wishing to obtain a share of the dwindling level of import licences issued each year. Those which can produce their own raw materials must do so. After 1988, imports of raw materials "which can be obtained through the processing of an annual agricultural crop" are to be banned. And those which cannot must try to achiave foreign exchange savings by producing food which would otherwise need to be imported.

Some agricultural experts have questioned the wisdom of this policy, pointing out that net foreign exchange savings may fall well short of government's hopes, given the fact that large-scale production requires a high level of imports of equipment and machinery. And the companies themselves complain that the Government has failed to clear away major institutional barriers to investment in agriculture. Their expertise would be better used in the area of processing, rather than direct production, many trading and manufacturing concerns argue.

"We'd rather not be forced to go digging holes in the ground, an activity which we know very little about," says a senior official of one such company.

● **Smallholder assistance:** according to Nigeria's energetic new Agriculture Minister, Lt-Gen (rtd) A. I. Akinrinade, small farmers are to be the centre-piece of Government agricultural policy. Some 60,000 km of feeder roads are to be rehabilitated or constructed in rural areas (financed by a recent sharp rise in petroleum product prices), a measure which will be of significant benefit to small farmers.

World-Bank assisted Agricultural Development Projects (ADP's) are to continue to play a major role in this area, and to take over the agricultural functions of the controversial River Basin and Rural Development Authorities (RBRDA's) which are henceforth to be restricted to irrigation activities.

## Responsibilities

The ADP's, set up in the mid-1970s in limited areas of the northern and central states, have since been extended to state-wide cover in many areas, taking over many of the responsibilities for managing agricultural development from the State ministries of agriculture. They are discussed in detail elsewhere in this survey.

Tha RBRDA's, which have absorbed by far the bulk of government funding to agriculture in the late 1970s and early 1980s, are to focus on water management alone, leaving direct production to the private sector and extension to the ADPs.

Government officials admit to serious doubts about the cost-effectiveness of these projects, on which over N2bn has been spent since 1981 alone; "but wa're saddled with them," says the new Minister. "We can't just abandon them. We've spent too much money on them to just write them off."

The bottom line is that there is much more private sector interest in agriculture now than for many years, and that government has at least indentified the kinds of policy reforms needed to get the industry back on its feet. The next 12 months will tell whether the familiar rhetoric of past agricultural drives finally begins to become a reality under the pressure of ever-narrowing options."

A herdsman attends cattle in the breeding area of the Jos International Breweries' farm research centre. Animals are fed with spent grain and molasses from the brewery.

## Wide range of new measures

**NIGERIA'S 1986 budget was the most agro-centric in years, introducing a wide range of new measures with the stated aim of achieving food self-sufficiency within two years, reducing imports, fostering agriculture-fed industrialisation, and improving the *quality of rural life*.**

**The most important of the new measures are:**

● Imports of vegetabla oils, day-old chicks, and stockfish (popular with Nigerian cooks) are to be banned with immediate effect; rice and maize imports were banned in October, 1985.

● Importation of any raw material "which can be obtained through the processing of an annual agricultural crop" is to be banned. The ban, to take effect on January 1, 1989, appears to be aimed primarily at the beer, soft drink and bread industries which are already seeking ways to substitute *local agricultural products* for a portion of their imported ingredients.

● Agricultural exports, especially within the West African region, are to be encouraged: *formerly*, some such exports were banned.

● 60,000 km of feeder roads will be built or rehabilitated, using half the proceeds of the higher petroleum product prices introdced in the budget; roads will be concentrated in areas with high potential for production of priority crops.

● Smallholder farmers are to be the centre-piece of government'o food strategy because they have "clearly demonstrated that, given the right price and non-price incentives, they can produce the food and fibre required by the nation."

● The Government is to pull out of direct production and distribution of agricultural products; this implies privatisation of state produce marketing boards and other agricultural parastatals.

● River Basin and Rural Development Authorities are to concentrate on water resource management and leave agricultural activities to tha state government Agricultural Development Projects, a number of which receive substantial World Bank support.

● Distribution of some farm inputs is to be commercialised.

● An on-farm storage programme and market information service is to be launched.

Two months after the publication of the budget, many important details of the measures have yet to emerge.

Women attending plants at the agricultural test unit operated by Jos International Breweries in Plateau State.

Texaco Agro-Industries, a subsidiary of Texaco, the US oil company, sold "gari" or cassava meal through its petrol station outlets, but for 10 months the Texagri food plantation has been closed down.

# New moves to keep down costs

## Development projects

PATTI WALDMEIR

"THE IMPORTANT thing is to identify your priorities. If you get the priorities right, you don't have to spend e lot of money."

So says Dr O. Nduaka, programme manager of the Imo State Accelerated Development Area Programme (ISADAP), when summarising the philosophy which has made ISADAP a model of low-cost agricultural development, and the flagship of e new generation of World Bank-funded Agricultural Development Projects (ADPs) in Nigeria.

In the past 15 years, since the first pilot ADPs were set up in Nigeria's arid northern states, the World Bank has provided some $784m to fund 10 separate area agricultural programmes which now serve about 4m farm families throughout the country, most of them smallholders.

The success of tha projects, whose aim is to improve small farmers' access to physical inputs, credit, and technical edvice, as well as improving rural transport and other infrestructure, has often heen hampered by the failure of the federal and state governments to provide their share of ADP funding.

As Nigeria's economic crisis has deepened, it has become clear that the ambitious, fully-integrated epproach to argiculture and rural development envisaged in the 1970s simply could not he funded by the resources available to the federal and state governments in the mid-1980s.

The new "generation" of ADPs—seven smaller projects in the southern and middle-belt states of Imo, Anambra, Bendel, Benue, Cross River, Ogun and Plateeu to be part-funded with a single $162m loan from the World Bank (total cost $254m) —will take what Dr Nduaka calls a "bare bones" approach to agricultural development.

### Successes

Formal approvel for the loan has not yet been granted by the World Bank but e number of the projects are already underway, with ISADAP regarded as the most successful so far.

Asked what distinguishes the new group of southern ADPs from the northern predecessors, Dr Nduaka points out that the total funding for the entire seven state project is no more then has been set aside for a single ADP in either Beuchi, Kano or Sokoto states.

The World Bank is to increase its share of the financing ror the uew projects to oo per cent from 40 per cent previously, and it is hoped that the federal and state governments may find it easier to meet their reduced shara of the funding burden.

Nonetheless, the much smaller sums available will obviously make it necessary to reduce the scope of the projects quite considerably, at least in their initial phase.

There will be less emphasis on creating new infrastructure such as farm-to-market roads, staff housing and new edministrative centres for the projects; the focus will be on "core" food crops such as cassava, maize, yams and rice rather than on livestock development or other such activities; and there will be much less emphasis on water resource development, one of the key functions of the older northern ADPs.

In the three years of its operation, ISADAP has spent only around N8m on the following set of "core" activities which programme officials, hacked np hy independent agricultural experts, say have made e major impact on food production in Imo state: distribution of fertiliser and agrochemicals through farm service centres; dissemination of technical advice through en improved extension service made mobile by the provision of e large number of motorcycles; distribution of higher-yielding seeds and seedlings; and essential maintenance of feeder roads, along with a very limited amount of new construction.

"We went for an immediate impact on the food supply situation and the market. We couldn't have achieved that if we'd been more thinly spread," says Dr A. Anya, the ISADAP planning officer.

### Better value

Programme officials say it is difficult to isolate the impact of ISADAP on food production in the state from unrelated factors such as weather, which has been very favourabla for the past two years, or the fact that a large number of unemplo; urban dwellers have begun to return to farming in search of a livelihood.

But they point proudly to the fact that whereas in 1983, one naira would purchase 4-5 cups of gari (cassava meal, e local staple food) in the market, a naira spent today will purchase three times that amount.

Dr Nduaka, the programma manager, also points out that one of the key reasons that costs have kept so low is that the project has so far spent nothing on constructing staff housing, and that it was able to acquire an extensive administrative headquarters from a disbanded government parastatal for only N455,000, rather than constructing a new administration block for several millions.

Some of the older ADPs hava been criticised for spending disproportionately large sums on housing and edministration, and on hefty salaries for expatriale members of staff. ISADAP currently has an all-Nigerian staff and plans to call in expatriate expertise on a consultancy basis only.

Agricultural experts stress that the needs of tha states to be served by the new ADPs are much different from those of the original projects in the relatively less developed North of the country; the South, which is much more densely populated, is served by a better network of roads and other infrastructure, and the availability of skilled and trained manpowar is much higher in the South because of the pattern of past expenditure on development.

But the lessons of the past have clearly been incorporated in the design of the new generation of projects; more attention will be paid to assuring that facilities developed by the project can be operated, maintained and financed adequately after outside assistance ends (10 years in the case of the new ADPs); a more "flexible" approach to lechnological innovation is to be adopted to ensure that farmers are not forced to edopt new technology at too rapid a rate; and capital spending ie to be reduced.

**Texagri**, one of many companies attempting to launch agricultural ventures, has run into major problems, as **Patti Waldmeir** reports here.

# The high price of goodwill projects in agriculture

NO MAJOR company, foreign or indigenous, which hopes to prosper in Nigeria can afford to ignore agriculture.

Of the 100 or so largest firms in Nigaria, nearly every one has plans to produce or process agricultural products either on the drawing board, or well on tha way to implamantation.

But the barriers to investment in agriculture, and the risks, are proving to be substantial and the wisdom of government's policy of compelling companies with no agricultural expertise to make major investments in this area is open to serious doubts.

The experiences of Texaco Nigaria Ltd, a subsidiary of the US oil major, are a case in point:

Since 1978, the company has spent ebout N4m developing a 6,000 acre cassava plantetion and processing plant near Abeokuta, some 75 miles from Lagos.

For the past ten months, the N500,000 "Texagri" factory, which produces "gari" (or cassave meal) a major staple food in Nigeria, has been shut down in the face of mounting operating losses, and the Texagri general manager, Mr Gilbert Heys, says the company is seriously thinking of abandoning the project and making a fresh start elsewhere.

What went wrong?

First and foremost, the company had, as is not surprising, almost no experience in the field of agriculture and underestimated both the level of investment needad to make large-scale farming a success, end tha risks involved.

In its eagerness to be among the first companies to make whet must amount primarily to a goodwill gesture to the Nigerian Government (the aim of backward integration which motivetes efforts by the beverage and milling industries can hardly epply to an oil company) Texaco failad to conduct the extensive survey necessary to determine the agricultural potential of the land which would form the project's plantetion.

### Limitations

An area of low soil fertillty which is not well suiled to intensive farming activities was chosen for the project, effectively limiting the range of options open to the venture if its *primary activity* (gari production) should prove unprofitable.

For Texagri, as for many other companies attempting to launch agricultural ventures, lend acquisition has also proved a major problem: under the law, all land in Nigeria is the property of the various State governments; in practice, though Texagri had to settle on rental terms separately with 141 different plot owners, a complicated and time-consuming process.

Texagri's original plan to usa an "outgrower" system to produce the cassava—a method whereby the company would provide innuts and other advice to small farmers in the area, who would actually produce the crop and sell it to Texagri for processing—had to be abandoned because of lack of farmer interest, says Mr Heys, and tha project had to take on the whole range of activities from land clearing and planting, to weeding and harvesting.

Production costs have skyrocketed because of tha very high inflation in the country; labour costs are high hy developing country standards; the cost of insecticides, tractors, spare parts and other inpnts have risen steeply over the past few years; and more recently, the price of diesel (the fuel used for the process of drying the gari to enhance its shelf life) has risen 2½ times.

### Ironic twist

Mr Heys now estimates his production costs per tonne at around N950-1,000, while the best price be can obtain in the market varies from N600-750.

Ironically, it is the revival of agriculture in the area (which Texagri was launched to contribute to) which appears to have firmly pushed the venture into the red.

According to the general manager, the gari price has fallen from around N1,400 per tonne in 1984 to tha current levels of N600-750, as large numbers of unemployed from the cities have returned to the conntrysida and gone into small-scale production of cassava, which requires little in the way of soil fertility, inputs or expertise.

Treditional processing methods, which yield a product with a much higher moisture content and so s shorter shelf life, are nonetheless much less costly than mechanised processing which has been harder hit by inflation.

Village women rely almost entirely on their own labour to peel, ferment and grind the cassave into gari, which is then dried by "frying" it over an open wood fire. Not only is this process less costly, but it is also far less import intensive, a major factor in assessing the net benefit to Nigeria of such projects as Texagri.

The project may well have contributed to its own downfall, as it has promoted local production by selling or giving away to small fermers disease and pest-resistant varieties of cassava for planting.

Developed by tha *International Institute for Tropical* Agriculture in nearby Ibedan, thesa varieties heve shown dramatic increases in yields, and Texagri sees its distribution programme as a major part of its contribution.

Agricultural experts susnect that Texagri's experience—that the overheads involved in the large-scale, mechanised production of gari make such a venture uncompetitive—may be repeated by other agricultural ventures to be launched in the next few years. They caution that the Govarnment may well find that the foreign exchange savings realised from such import-substituting activities may prove much lower than originally envisaged.

# Kano seeks revival in farm products sector

## Northern industry

CHRISTIAN TYLER

SO MUCH is still left of old Kano that it takes no effort of the imagination to see behind and beneath the sprawling modern capital of northern Nigeria.

The old city is still surrounded by its 12th century ramparts of orange-coloured baked earth. Inside the walls are warrens of flat-topped mud houses, bare of furniture but carefully numbered for some postman who never calls. As they converge on the centre the houses become denser until they reach a large compound and the wide road that runs round the palace of the Emir of Kano.

Beside the palace is the vast mosque of Juma-at, a reminder that here was once the furthest reach of Islam. Kano was above all a trading centre, one of the most important south of the Sahara desert and west of Lake Chad.

Kano is now a city of soma 2m people, the second largest after the federal capital, Lagos. But there is no impression of size. Apart from a few tall buildings in the centre, the city is built close to the ground, shaded over with trees and intersected by fast new roads. It is hot, bright and dry, and greatly preferable to tha sweating humidity of Lagos.

One of the first manufacturing businesses in the north of Nigeria was founded in Kano by a Syrian trader in groundnuts who had been living in Turkey but was driven out by Kemal Ataturk. He built an oil mill in Kano in 1941 at a time when everyone else was still following their traditional pursuit of trading.

The business, Nigerian Oil Mills, is now run by the founder's sons, Bernard and Ely Calil, who represent the 40 per cent still owned by the family. Under Nigerian law, 60 per cent of the equity must be Nigerian-owned.

The Calil brothers' interests are grouped under the unofficial name of the Cedar Group, comprising some 14 operating companies (some of which are dormant). The Calils also have an interest in Berec, the battery making company whose Nigerian subsidiary was recently sold by Hanson Trust of Britain, and in Berliet trucks and generators of France.

Like many others, the group —which has a turnover of $200m e year—has moved into agriculture with a 2,000-acre farm at Wudil, half an hour's drive from Kano. Putting money into farming is for many expatriate companies tha best way of showing commitment to Nigeria's development, and it helps when they naed an import licence.

But Mr Bernard Calil, managing director of Nigerian Oil Mills, believes that agriculture will be profiable. "I'm not sinking money into it. I am investing. It started as a cosmetic thing, but it's now become e real operation."

Another farm, belonging to Berec, is being started in Abeokuta, near Lagos.

Nigeria used to be one of the world's largest prodncers of groundnuts. But when mineral oil was discovered in the 1970s agriculture was allowed to collapse. Farmers were further discouraged by tha antics of the state commodity boards, which often short-changed the growers on the already low prices set for their harvests.

Now the producers of vegetable oil are having to import groundnuts, so small are the quantities grown indigenously.

A revival of agriculture will not be possible until there are places to store and process the crops. "It's an inevitable step for Nigeria," Mr Calil said. He claims to be the first private entrepreneur to try to lay down the necessary infrastructure.

Nigerian Oil Mills has branched out into related businesses. Alongside the oil-crushing mill in Kano is a factory for making the 18-litre cans in which vegetable oil is sold on the market. The tinplate has to be imported from Usinor in France, Cockerill-Sambre in Belgium and Nishisawa in Japan.

As in so many other Nigerian businesses, production is strangled by the tough import licensing regime, but the can factory has enough raw material to keep it ticking over for another year.

There are two fully automatic lines for filling the cans with oil and a special machine for filling polythene sachets. The company is about to build a refinery of its own, using British machinery, to complete the processing cycle.

Across the road is a small factory making aluminium kettles, tahleware, brass calabashes and other brassware. Nearby there is a soap and detergent husiness.

The trials of industry are illustrated by an episode last month when a hostile artcle in the local Sunday newspaper revealed that e "Lebanese" company had managed to buy vegetable oil from the Government for distribution and sale at a tima when vegetable oil imports had been banned.

The company, which turned out to be Nigerian Oil Mills, attributed the fuss to local jealousies. It says it had bought tha 10,000-tonne cargo, imported under tha former regime, but had only managed to sell a quarter of it. The price of vegetable oil had begun to fall because of a large number of pilfered drums which had turned up on the market.

The worst year for the company seems to hava been 1984, when it was refused import licences for nuts to crush and for spare parts to keep the machines working. The container plant's output of 13,000 units a day fell to zero, though now it is back to 4,000 units a day.

Another big Kano enterprise, the Dantata group, seems to have fared better because of its minority shareholding in the state-controlled oil miller Kano State Oil and Allied Prodncts. Its last import licence was for N10m worth of groundnut imports, keeping its big mill in Kano working for at least one shift a day.

But the state company is said to be daeply in debt, and running too far below capacity to make economic sense. Rumour has it that it will be sold off to the privata sector by tha new government.

Dantata, one of Nigeria's largest industrial groups, is run and mainly owned by Mr Alhaji Usman Dantata, a 36-year-old millionaire at present recovering in a Miami hospital from e near-fatal shooting hy armed intruders at his Lagos house last September.

Mr Usman controls businesses ranging from food distribution (especially vegetahle oil), container manufacture, construction and civil engineering, wharves and lighterage, and road transport.

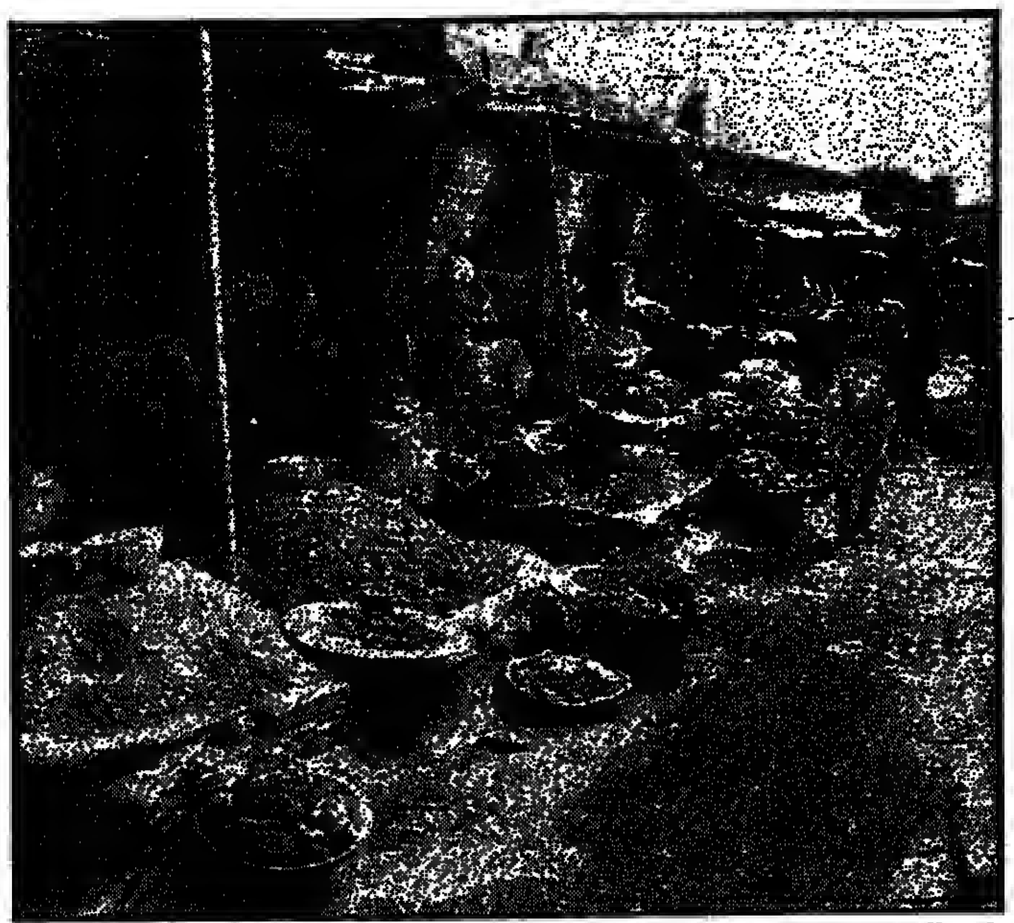
His latest venture is in agriculture and his Anadariya Farms is claimed to be the biggest enterprise of its kind in West Africa. So far soma N15m worth of capital assets have been acquired. The farm includes 10,000 hectares of cultivable land, fully planted for the first time last year.

The main crops are sorghum, maize, cotton, sunflower and groundnuts, while a poultry farm turns out 15,000 broilers a day.

A keen polo player, once rated among Nigeria's best, Mr Usman has imported 118 Argentine ponies and is said to be planning a racing stud.

Nearly all the group's development in the past two years has been in agriculture, according to Mr K. N. Menon, the group financial controller. The diversification began when former president Shagari called for a "green revolution," hut only recently has it got going on any scale.

Mr Usman hopes to see his land under cultivation more than double in area before long.

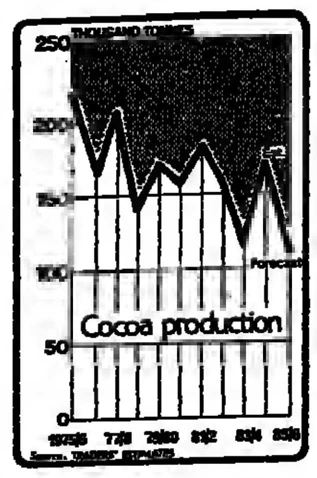


Kano, a city of 2m people, is the second largest, after Lagos. Above: stalls of potash set out along a street in he old quarter of Kano.

# Casualty of the oil boom years

## The cocoa industry

PATTI WALDMEIR




NIGERIA'S tiny non-oil export sector is facing a major challenge in 1986.

After years of declina which have depressed earnings from the sector to around $400m e year, non-oil exports are budgeted to rise nearly fourfold this year to provida some $1.5bn for Nigeria's severely stretched foreign exchange budget.

Decidedly optimistic by any standards, this figure begins to look even less realistic when account is taken of the current sorry state of the country's cocoa industry, by far the largest non-oil export earner, and a sector which experts believe has reasonabla potential for growth.

Because of a combination of bad luck and appalling planning the cocoa industry is heading for a catastrophic yeer in 1986, with production forecast to fall to the lowest levels anyone can remember.

Cocoa traders say they believe some 170,000 tonnes of cocoa was produced in Nigeria last year (exact figures are difficult to obtain as large amounts, perhaps as much as 20,000 tonnes a year, are smuggled to neighbouring countries). This year's forecast, by London cocoa traders Gill and Duffus, is a mere 110,000.

Nigeria's cocoa industry—once the world's second largest, accounting for nearly a quarter of all supplies—has been a casualty of the country's oil boom, which drew vast numbers of rural dwellers away from the land with the lure of easy money in the cities.

### Earnings slump

Around the time of Nigeria's independence from Britain in 1960, agricultural commodities, led by cocoa, generated some 70 per cent of export earnings. They now account for less than 3 per cent. By 1984, total non-oil export volume was only 40 per cent of its 1980 levels.

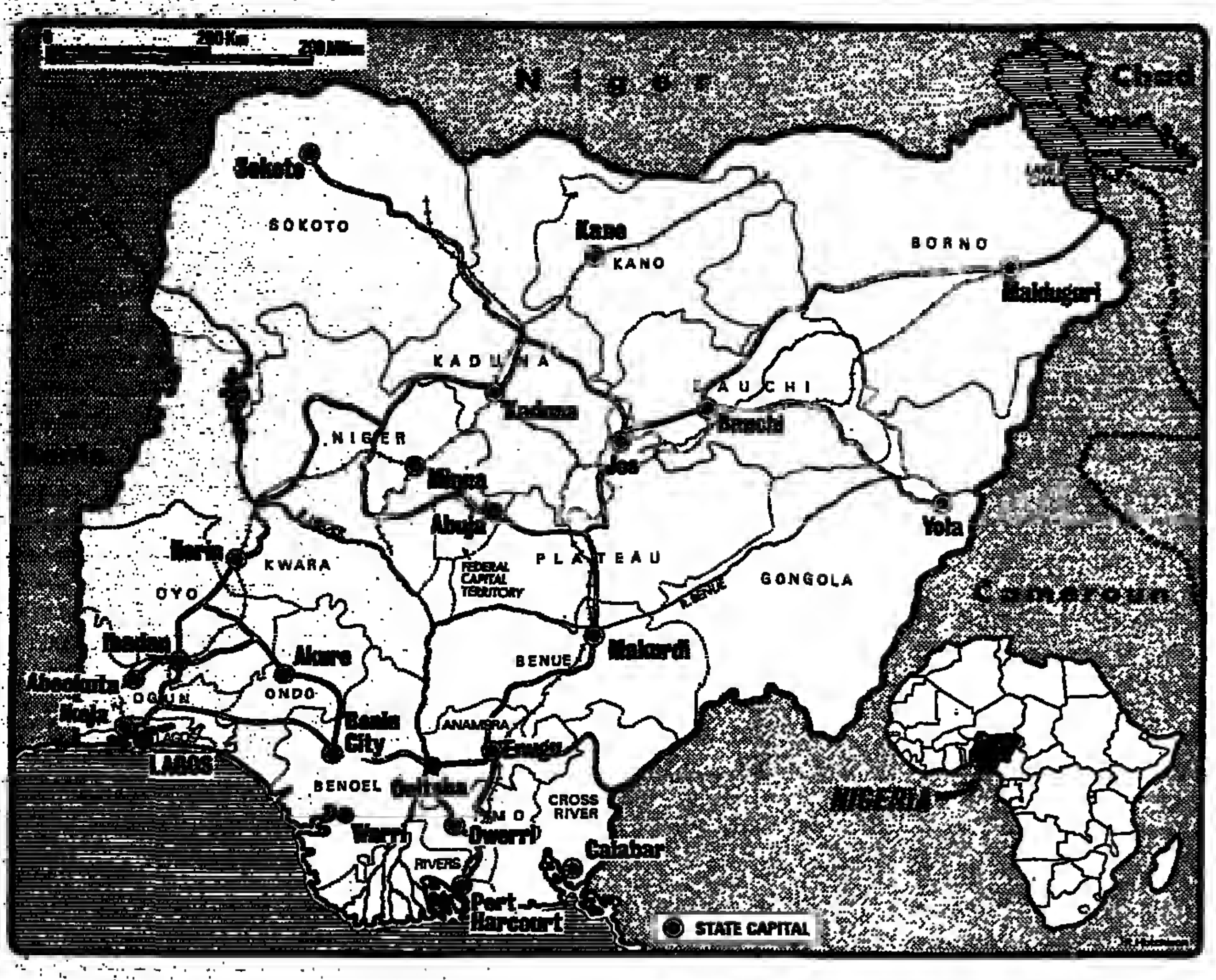
Various factors have contributed to the decline: low producer prices (price increases have fallen well short of inflation for several years); the high cost of labour and inputs; poor extension services; lack of new plantings (most trees have now outlived their optimum productive life-span); and smuggling, which siphons off large amounts of the crop to neighbouring countries where real returns are much higher (the overvalued naira means that only e fraction of the export price of the crop is passed on to the farmer).

Despite all these drawbacks, Nigeria was able to produce last year's 170,000 tonnes of cocoa because sufficient supplies of agricultural chemicals were imported to prevent extensive damaga to the crop from the dreaded black pod disease.

This year, farmers have not been so lucky. Because of the harsh import controls forced on tha country by a critical shortage of foreign exchange, virtually no import licences were issued for chemicals to treat this season's crop.

According to the estimate of one industry expert, Nigeria could lose over $100m in cocoa export receipts, largely because of a failure to allocate $5m for the importation of spraying chemicals (poor weather also had an impact).

If the problems of poor pricing and lack of inputs were tackled seriously, says one European trader who knows the country well, Nigeria could harvest well over 200,000 tonnes a year from existing plantings alone—an important step, in the short term, towards reviving the near-moribund non-oil export sector.




# Macbeth falls to the spanner

## Funtua revisited

*FIFTEEN YEARS ago, Peter Blackburn served with the Voluntary Service Overseas as a teacher in Funtua in northern Nigeria. Today some significant changes have taken place in the area which is now the headquarters of the Nigerian Cotton Marketing Board.*

*Peter Blackburn reports here on the differences he has found in the area which typify developments in the smaller towns of Nigeria.*

* * *

I THOUGHT we had made a mistake as we drove in after dark through an unfamiliar new entrance from the main road to the Government Secondary School, Funtua.

Despite having spent nearly 18 months at the school as a voluntary service overseas (VSO) English teacher I felt completely disoriented as a result of the great changes that had taken place.

I made for one of the rare sources of light which turned out to be a fridge-equipped school shop — one of many innovations — and asked for the school principal.

It was my first trip back in 15 years and I was curious to see how the school and the town, located in Kaduna state, 72 kms north-west of Zaria on the Sokoto road, had developed.

I had subsconsciously stopped the clock at what I had last seen and it was therefore a shock to see what dramatic growth had since taken place. The number of students has swollen from less than 500 to more than 2,000 and staff has quadrupled to 80.

"Imagine the same problems of discipline, security, school food and equipment, but all on a much larger scale," says the school's principal, who took over at Funtua 18 months ago. "It is an uphill struggle trying to match the school's facilities with the growth in student numbers."

The VSO teachers were phased out several years ago and there are no longer any British contract teachers. However, there are still some 10 Asians, mainly teaching science subjects. There is generally a plentiful supply of Nigerian teachers for most departments. High unemploment encourages them more readily to accept postings to smaller towns.

### Contrasts

Whereas most of the students were once boarders and came from distant villages, the increase in the number of schools and lack of sufficient accommodation means they are now mainly day-students, coming from a 12 km radius.

In the old days, the day-students used to walk to school, but now they ride bicycles, some even motor bikes.

Truancy has become a bigger problem, particularly among the day-students. Senior classes have been strategically placed around the school perimeter to discourage the younger students from slipping away early.

The number of buildings has proliferated to such a degree that the school complex appears almost unrecognisable. But, sadly, many of the new buildings already look the worse for wear.

When I left at the end of 1971, the first science laboratory was being built. Now there are several, plus woodwork, metalwork and machine tool shops. These days there is much more emphasis on practical rather than classical teaching. Farmers' and traders' sons now spend less time grappling with Macbeth and Jane Eyre than with crop seeds and fertilisers or making spanners and simple tools. One of the school's new projects is the creation of a horticultural section.

The new 6-3-3-4 schooling system provides for continuous assessment of students, earlier screening and channeling towards employment opportunities. It means extra work for teachers, but it should cut down the numbers of educated but unemployable school leavers.

The move towards greater scientific teaching has been handicapped by a serious shortage of chemicals and laboratory equipment, teachers say.

The explosion in student numbers has put severe strains on school equipment which has deteriorated more quickly than it has been replaced over the years. In the junior classes there are not enough chairs or desks to go round, nor exercise books, with students having to use sheets of paper instead.

"We sometimes even have to buy the chalk ourselves," says one teacher.

Strangely the periodic student riots continue to be sparked off by complaints over food, rather than lack of teaching equipment or qualified teachers. But, as the headmaster pointed out, it is difficult trying to provide three square meals a day with an allocation of N1.50 per student.

Some of the school buildings and dormitory blocks bear scars of the riots with broken windows and smashed furniture piled up in out-houses.

Security continues to be a problem as the school has no perimeter fence. During the prolonged economic recession many of the detachable fittings like light bulbs and switches have disappeared on to local markets where they fetch premium prices. As a result, dormitory light bulbs and all moveable items are locked up during the day to prevent them being stolen.

Only ancient Alhaji Sambo, the school lorry driver along with Mallam Sule, the school clerk, the school cook and sweepers remain from the early 1970s and provide a link with the past.

The teachers have long since left and there was no trace locally either of the students, some of whom may now be treading the corridors of power in government or else have become rich traders.

### Rapid growth

Funtua town, like the school, also shows signs of rapid growth with the main landmarks—a rounded granite rock—now topped by two water tanks.

A busy road junction and market town, the bustling motor park is now packed mainly with swift Japanese mini-buses, instead of lumbering mammy wagons.

A fast, two-lane highway has replaced the single-lane road to Zaria where once I rode my Honda 90 motorcycle at week-ends to stock-up with provisions or to see friends. The roadside is already dotted with wrecks of vehicles showing that travel continues to be hazardous. But at least visitors are no longer covered with red laterite dust, churned up by passing "mammy" wagons.

At the entrance to Funtua there are now two by-passes. Along the northern one is the headquarters of the World Bank—financed agricultural development project which has considerably increased the district's food-growing potential. Earth dams have made it easier to bring the crops to market. Funtua is zone two of the new World Bank-assisted Kaduna agricultural development project, covering the whole state.

New agro-industries have been set up, including dairy and textile companies as Funtua moves towards establishing a broader industrial base.

The groundnut pyramids, however, one of the town's traditonal landmarks, faded into memory many years ago. Lack of rain in the early 1970s ravaged the crops and new drought-resistant seeds were slow to be developed. An inefficient marketing system and unattractive prices were additional disincentives.

Funtua is also the headquarters of the Nigerian Cotton Marketing Board and after a long period of decline there are signs that production may start to rise again (as indicated in part one of this survey). The new Lummus-built cotton ginnery was due to start production this month, as soon as supplies of imported chemicals arrived.

Another visible change in the area is the new fire station, equipped with a shiny red fire engine, located in the fields behind the school.

Visitors to Funtua may now stay at a motel beside the dam at Mairuwa, a few kilometres out of town. Although it is attractively situated, overlooking the lake, the chalets were not as comfortable as they looked from the exterior.

I recalled that, 15 years ago, it was more enjoyable to sleep out, under the stars, while on a school expedition to the crest of the dam.

# Tips for overseas visitors

"THE SITE of the town is . . . detestable," the explorer Richard Burton wrote about fever-ridden Lagos in 1861. And to this day the disclosure that one's destination is the Nigerian capital evokes sympathy.

Lagos has entered travellers' mythology: overcrowded aircraft, tortuous formalities on arrival, aggressive taxi drivers, dreadful hotels, interminable traffic jams, dubious food, unreliable telephones. . . .

It is actually not as bad as mythology makes out, and with a little foresight it can be tolerable—even enjoyable.

Let us assume that you have had yellow fever and cholera vaccinations well in advance, and have started the course of malaria prophylactics two weeks before departure. You have also stocked up on business cards, which are essential if you want to make headway with the secretaries in the outer office of the "oga" (boss).

You have arranged to stay in a company guest house because it is more comfortable than a hotel in Lagos, but you have remembered to send telegrams to out-of-town hotels, and also taken into account that hotels will demand payment in foreign currency.

The traveller's first test comes at Murtala Muhammed International Airport. There are two schools of thought as to how to deal with the hurdles of currency exchange (you are obliged to cash at least $100 on arrival), immigration, and customs. One school advises you to relax and set about the process in a leisurely fashion: the other school advises you to dash from the plane to be among the first to reach the bank, where money is exchanged and can be the worst bottleneck.

Since many travellers may have read this piece of advice, there could be stern competition. It all depends on your temperament. Whatever you do, do not lose the yellow currency declaration form, which must be presented on departure.

Taxi drivers have been banned from parking at Murtala International and may only drop departing passengers, but there will be scores of drivers working for what are described as "car hire companies," whose owners have managed to exclude the traditional yellow cabs. The fare from the airport to Victoria Island or Ikoyi should be about N25.

You can manage day-to-day business by flagging taxis on the street, but the haggling that ensues in the hot and steamy climate can be tiring. An air conditioned cab will cost N100 for an eight-hour day (N80 if you are a tough bargainer) and is money well spent.

Making appointments over the phone can be time consuming and unreliable. You may as well take advantage of the tolerance and flexibility of most Nigerian officials and expatriate businessmen and take pot luck. Turn up with your business card and a brief letter explaining your needs, which can be left with the secretary should the person you want be out. This paves the way for your next visit, and if you do phone first the secretary will know who you are.

With or without an appointment, be prepared to wait, and take something to read.

Communications will almost certainly be difficult: the international phone lines have gone through a bad patch, and Nigeria Airways is again a byword for unreliability. Several courier agencies serve internal and international destinations and guarantee 24-hour delivery of letters and documents to most European capitals.

Getting a seat on Nigeria Airways local flights is often pot luck, but look out for the private services between the main centres operated by Okada and Cabo airlines and others. Although described as charter, they run scheduled services on a first-come, first-served basis. Tickets are sold at the airports.

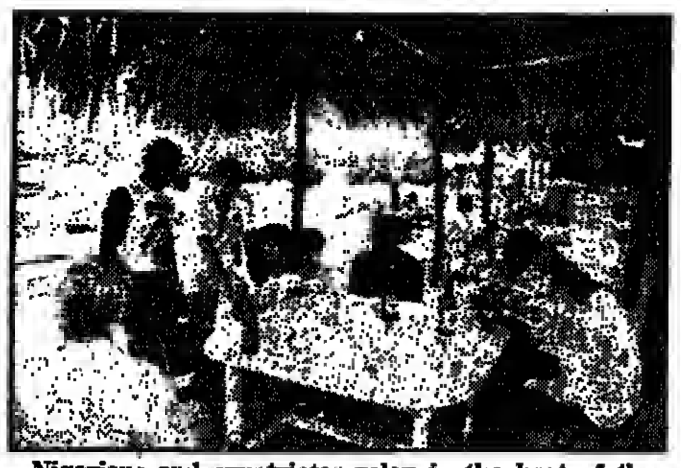
You will need to travel with a substantial amount of ready cash, for few hotels or restaurants take credit cards. Since the cost of living is high, and the Naira only available in singles and fives (larger denominations are rare), the wad of notes will make a formidable bulge in your jacket, or take up a substantial space in your bag. All the more reason to hire a single taxi driver for your stay.

Nigeria has become a byword for "dash" — which covers anything from a substantial bribe to secure a contract, to a tip for the room steward. Much of the petty "dash" is unnecessary, if your documents are in order it is not required at the airport, for example.

You should on no account enlist the help on departure of the touts (or "travel advisers," as they prefer to be called) at Murtala Mohammed who lurk at the check-in counters. Their favourite ploy is to offer help with currency formalities and promise to get the all-important yellow form stamped, taking your travellers' cheques for inspection by the appropriate official. They then disappear.

The currency check, by the way, comes after check-in and immigration formalities, and not before.

This all sounds a formidable list of do's and don'ts. But draw consolation from the thought, as you sit on the open verandah of Bubble's Bar, sipping a chilled beer and fanned by the cool breeze blowing across the creek, that it was much tougher in Burton's day.



Nigerians and expatriates relax in the heat of the day at Bubbles Bar in Lagos.

A paperboy in Lagos offers visitors a selection of lively tabloid newspapers.

## Press freedom

DECREE No. 4, introduced by the military government of General Muhammadu Buhari, effectively muzzled Nigeria's lively newspapers. But one of the first actions of the new administration of President Babangida was to repeal the law and restore Nigeria's reputation of having probably the freest press in black Africa.

The visitor can choose from over a dozen dailies (all printed in English) of which the Daily Times and New Nigerian (both Government-owned), Punch, Guardian, Concord and Tribune lead the field.

The Daily Times, Punch and Concorde publish business editions.

Two weekly magazines are well worth reading: Newswatch and African Concord, while the London-based West Africa magazine, on sale in Lagos, provides invaluable coverage of Nigeria.

## Useful reading

An indispensable visitors' guide is "Survive Lagos," by Elizabeth Cox and Erica Anderssen (Spectrum Books, Ibadan, 1984) which is packed with sound advice.

A useful companion is Macmillan's Lagos Street Atlas (1985) which clearly illustrates not only the residential areas but also the industrial zones, and locates government offices, embassies and public buildings.

Recommended reading includes:

The Story of Nigeria, Michael Crowder (Feber and Faber, 1978).

The Nigerian Civil War, by John de St Jorre (Hodder and Stoughton, 1972).

Soldiers and Oil, edited by Keith Panter-Brick (Frank Cass).

President and Power in Nigeria: the life of Shehu Sbagari, by David Williams (Frank Cass, 1982).

Ahmadu Bello; Sardauna of Sokoto, by John Paden (Hudahuda, Zaira, and Hodders, 1986).

Nigeria since 1970: a political and economic outline, edited by Anthony Kirk - Greene and *Douglas Rimmer* (Longmans, 1981).

The country's novelists convey a feel for Nigeria which no academic study can give: Chinua Acheba (A Man of the People and No Longer at Ease); Cyprian Ekwensi (Burning Grass); Wole Soyinka (The Interpreters and The Man Died); Buchi Emechta (The Joys of Motherhood).

MICHAEL HOLMAN

## Accommodation: it pays to plan ahead

AVOID STAYING in a hotel if you possibly can, if only because you will be frustrated by the difficulties of making telephone calls. Hotels are also very expensive — allow at least N100 a day for bed and breakfast and incidentals in the leading Lagos hotels — although about half that rate applies in the state capitals. Room service can be erratic and water supply and air-conditioning are unrelieble.

The alternative is to use e guest house, which most of the *larger companies* operate.

The rule for hotel-booking is to always book early (send a telegram to out of town hotels. — telex or phone lines from Lagos are either impossible or difficult to obtain).

Remember that the law requires visitors to pay hills in foreign exchange, beginning with a deposit which can be as high as N300.

The regulations are interpreted differently according to the hotel: some simply demand a deposit which will cover the room rate, others expect a deposit sufficient to cover meals and services during your stay. Do not expect to receive any refund dne to you in foreign exchange — you will receive instead the naira equivalent. To be on the safe side, carry enough travellers' cheques to cover your entire hotel bill.

The recently-opened 340-room Sheraton Hotel, near Lagos's Murtala Muhammed International Airport, is especially useful if the bulk of your work is in Ikeja's industrial zone or Apapa.

But bear in mind the fact that if you have appointments on Victoria Island or in Ikoyi (where most of embassies and high commissions are located, as well as the Federal Secretariat which houses many of the government ministries), the journey from the hotel can be time-consuming. Traffic jams ("hold ups" or "go slows," as they are known), are not as bad as they once were, but can still disrupt schedules.

Among the main hotels are:

Sheraton,* Ikeja, Tel 900930-9, telex 27202.

Ikoyi Hotel,*Ikoyi Tel 603200-8, Telex 22632.

Federal Palace Hotel* and Federal Palace Suites Hotel* Victoria Island, Tel 614938, 610134, 610031, 612120, Telex 21432.

Bristol Hotel, Martins Street, (off Broad Street) 630048 Telex 21144.

Hilton Hotel, *Ikeja, Tel 960604, Telex 26329.

Eko Holiday Inn*, Victoria Island, tel. 615000, telex 22650.

Mainland Hotel, tel. 41101/9, telex 21595.

* Swimming pool.

## Eating out

● In Part One of the survey readers were introduced to the delights of "bush meet" and street corner fare. You may, however, be looking for a more formal environment in which to entertain guests. Here are a *few* suggestions: prices vary from around N60 for two (including soft drinks or beer) at the excellent Sheraton Indian Restaurant to nearly double that if you prefer Chinese food (superb Spring rolls) in the Shangri La Restaurant atop the Eko Hotel, which also enjoys one of the finest views of Lagos.

Other venues include:

Bacchus, 57 Awolowo Road, Ikoyi, tel 683582 (around N150 for two, with wine); Chez Antoine, 61 Broad Street, tel 635881; Cathay (Chinese) 88 Broad Street, tel 651546; Bagatelle 208 Broad Street, tel 632801; New Quo Vadis Eboni House, Broad Street (opposite Bagatelle): Tabriz, 19-21 Breadfruit Street (near Bristol Hotel) tel 632828; Sheriaton, Awolowo Road (opposite Bacchus); Ikoyi Hotel Chinese Restaurant, tel 603280-8.

## Wildlife tours

THE BEST-KNOWN game park *in Nigeria—with the* bonus of hot springs in which the traveller can soak at the end of a dusty day—is Yankari, a 90-minute drive from Bauchi in north cast Nigeria.

Animals on view include elephant, buffalo, roan antelope, warthog, hartebeest, waterbuck and lions, as well as a profusion of birdlife.

Accommodation is in individual chalet-type huts (Wikki Springs Hotel, Yankari Game Park, Bauchi); be prepared for irregular power supplies and no hot water, *although this* need *not* matter: visitors can soak in the hot springs at Wikki, below the camp.